Fund terminations gain momentum among banks

By Fred Williams

The banking and thrift industry, trying to cope with deregulation, problem loans, a wave of mergers and sagging confidence levels, increasingly is turning to its pension plans as a source of capital.

Banks and thrift institutions with pension assets totaling $113.1 million are seeking to terminate defined benefit pension plans and recover $68.4 million in surplus assets, Pension Benefit Guaranty Corp. data on pending cases show.

The reversion amounts are not large when compared with some other industries. The oil industry, for example, has about $445 million in surplus assets pending distribution. But bank and thrift termination activity has gained momentum during the past 18 months.

The largest asset reversion now pending at the PBGC is that of Bank of Hawaii, Honolulu, which is seeking a $31 million reversion from its $35 million pension plan; the smallest is that of Bank of Oklahoma, Tulsa, which is seeking $1.1 million from its $6.6 million plan.

Banks and thrifts have recovered $107 million in surplus assets from terminated plans with assets of $238.9 million since 1981. By far, the greatest number of terminations has taken place since January 1984.

Most of the terminations seem to be among small and regional companies. Only one money center bank has terminated its plan: Bankers Trust Co., New York, received a reversion of $1.3 million in March 1984 from a plan with assets of $2.4 million.

Several institutions concentrated in Oklahoma and Texas have either terminated defined benefit plans or are in the process of doing so, including Bank of Oklahoma; Liberty National Corp., Oklahoma City; First Tulsa Bancorporation; First Oklahoma Bancorporation and Continental Federal Savings, both in Oklahoma City; Texas Federal Savings and Loan, Dallas; First Texas Savings Association, Dallas; and Ameriway Savings Association, Houston.

The Texas and Oklahoma terminations seem to be based on a combination of factors including a need for capital infusions to offset sour energy loans as well as to consolidate benefit plans as a result of mergers into bank holding companies.

"I am not surprised that the oil-patch institutions are well represented," among those terminating, said Tony Smith, a banking analyst with L.F. Rothschild, Unterberg, Towbin. "In the wake of the Penn Square Bank failure (in 1982), there were a lot of banks in serious trouble, large and small, facing severe earnings pressure because of their asset quality. During this period, the banks were under a lot of pressure to raise capital and, in some cases, the pressure came from excess loan losses."

Mr. Smith said banks and thrifts everywhere have been under pressure in recent months to increase earnings and "to be less leveraged."

The pension plan is one obvious choice of capital recovery, as well as a way to reduce costs, he said. Switching to defined contribution plans eliminates premium fees to the PBGC.

The concentration of bank terminations in the 1983-'85 period is telling because circumstances in the industry have created more pressure to boost reserve requirements, he said. In the aftermath of the Continental Illinois National Bank and Trust Co. crisis, the comptrol-

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Public funds commit to Maggie Maes

By Trudy Ring

The Wisconsin State Board of Investment and the Retirement Systems of Alabama have made commitments to AA rated mortgage pass-through securities marketed by the MGIC Mortgage Marketing Corp., Milwaukee.

The securities will be backed by floating-rate mortgages. Participating lenders will originate mortgages for six months, adjusting the rate weekly. When all the loans are made and the securities delivered, the rate of return to the investors will be fixed at a weighted average yield.

Both states have bought mortgage securities through MGIC before, but the weekly adjustment of the rate is new, said David Bronner, secretary-treasurer of the $5 billion Alabama fund, which committed $25 million to the securities.

"This is a method used in very volatile interest rate markets, where rates move up or down every week," Mr. Bronner said. He said his fund has been invested in securities based on mortgages whose rates were adjusted monthly during the loan-making period.

The weekly adjustment gives the retirement systems an opportunity to take advantage of increasing interest rates, while attracting home buyers to the program when rates go down, Mr. Bronner said.

The rate tracks the seven-year Treasuries bill rate, but has a spread above it. Phil Hannafin, director of mortgage securities for the Wisconsin board, said the spread is about 100 basis points. The $11.5 billion Wisconsin fund committed $30 million to the securities.

The securities, called Maggie Maes, are high-quality, safe investments, Mr. Hannifan said.

"You're typically looking at as many as 300 loans" as backing for the securities, he said.

Under the Maggie Mae setup, MGIC Mortgage Marketing, a subsidiary of Mortgage Guaranty Insurance Corp., invites mortgage lenders to participate in a pool. After review and approval of submitted loans, the company establishes the pool to back the certificates. The certificates are sold to investors and funds remitted to the mortgage originators. The original notes, mortgages or deeds of trust and assignments are forwarded to a trustee, who passes through monthly principal and interest payments to the investor.

In the past six years, MGIC Mortgage Marketing has sold about $1 billion in mortgage-backed securities, mostly to state retirement systems, said Robert Eisendrath, vice president. "I think there's a lot of room for them to be players in these deals," he said. ■

Fear of intervention by Congress might force firms' hands

By Joel Chernoff

WASHINGTON — United Airlines' recapture of nearly $1 billion in surplus assets might push some employers closer to terminating their overfunded pension plans, some experts say.

United's spinoff/termination of its pension plans might make some corporate executives edgy that Congress will act to close the door on asset reversions. While no congressional groundswell has yet emerged, companies might want to act before it is too late, some experts believe.

"I think that there will inevitably be some number of corporate executives who turn to their chief financial officer and say, 'Should we be doing that?' who have not previously thought of doing so," said Dallas Salisbury, president of the Employee Benefit Research Institute.

However, Mr. Salisbury played down the importance of the United termination, noting many employers are contemplating a shift in emphasis to defined contribution plans. Fear of congressional action, he said, might create more incentive to do what they already had been considering.

In addition, the prospect of a 10% excise tax levied against excess assets recaptured after Dec. 31, as proposed in the president's tax reform plan, also might support motivations to terminate now, several experts noted.

Some service providers might recommend their clients at least consider the option of terminating; one pension attorney is wondering if he should call his clients and draw their attention to the issue.

Not including the United termination, nearly 700 plans with reversions of $6.6 billion had been terminated or were awaiting regulatory approval to terminate, as of May 31, according to data compiled by the Pension Benefit Guaranty Corp. The United reversion likely will increase that amount to more than $7.5 billion.

Pension experts, however, were divided as to whether Congress will take action on the reversion issue.

Indeed, Rep. William Clay, D-Mo., whose Labor subcommittee handles pension legislation, said he is "very troubled" about the use of pension assets in corporate takeovers, but suggested he has not arrived at any way on how to deal with the issue.

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Ten largest asset reversions resulting from pension plan terminations

Company	Successor plan	Amount of reversion ($ mil.)
UAL Inc.[1]	Spinoff	$962
Occidental Petroleum Corp.[2]	Defined contribution	428
Celanese Corp.	Spinoff	326
Great Atlantic & Pacific Co.	Defined contribution	320
Firestone Tire & Rubber Co.	Spinoff	284
Getty Oil Co. (Texaco)[2]	Spinoff	250
Reynolds Metals Co.	Defined benefit	126
AMAX Inc.	Spinoff	124
Fireman's Fund Insurance Cos.[1]	Defined benefit	120
INCO Ltd.[1]	Spinoff	116
TOTAL		$3,056

[1] Application to terminate plan is pending.
[2] Involves five Occidental and Cities Service Co. plans terminated in 1982 and 1984.

Source: Company estimates supplied to the Pension Benefit Guaranty Corp., and other company data.

Others may copy GM stock issue

By Marci Baker

General Motors Corp.'s use of two new classes of stock to finance its acquisitions of Electronic Data Systems and Hughes Aircraft Co. might have sparked a new financing technique.

Corporate finance

Industry officials are wondering who next will adopt the financing tool now that GM plans to issue a separate class of common stock — Class H — to help finance its $5 billion acquisition of Hughes Aircraft Co. Late last year, GM issued Class E stock to finance its acquisition of EDS.

Now, investment bankers and corporate officials think class stock soon will emerge as a popular financing tool — and not just for acquisitive-minded companies looking for high-growth partners.

Companies also could create separate classes of stock to enhance the value of existing business units, said Jerry Rosenfeld, a vice president in the mergers and acquisitions department at Salomon Brothers Inc., which came up with the idea for GM.

The only possible cloud on the horizon is potential action by the major stock exchanges against unequal voting rights for shareholders. The exchanges are being pressured by several congressmen to prohibit such unequal treatment.

Legislation introduced last week in Washington could affect the GM-Hughes deal, observers say. The proposed Class H stock, like GM's Class E stock, doesn't offer full voting rights to shareholders. If the legislation is approved as now written, Class H could be barred from being listed on the major exchanges. Existing stock with disproportionate voting rights would be "grandfathered" under the bill.

Investment bankers seem unconcerned. They say any restrictions can be overcome by careful design of the class stock. As to the effect on the Hughes deal, an aide to Sen. Howard Metzenbaum, D-Ohio, one of the sponsors of the bill, indicated the legislation could be changed to exempt Class H from the ban.

"A number of issues are still being resolved; we are continuing to work on them," he said.

The value of the two new classes of stock issued by GM is tied to the performance of the subsidiaries that were acquired, both of which are considered high-technology companies, not the relatively low-tech parent.

"I think the concept can be applied to almost any industry — not just technology," said one official at a large East Coast corporation. "It's one of the most innovative financing developments to be applied to capital structures in a long time."

Although corporate officials still are struggling to understand the nuances of class stock, they see a number of advantages in its use:

- It allows corporations to fund an acquisition through the marketplace, thereby preserving cash.
- The potentially higher multiple special class stock can carry could enable companies to acquire more cheaply than by using regular common stocks.
- Class stock provides lower growth companies with the means to diversify into high-growth businesses without sacrificing the financial incentives that fuel the entrepreneurial spirit typically inherent in those industries.
- It holds out prospects for unleashing the unrecognized market value of high-growth business units within large companies.

Using class stock is not dissimilar to the more traditional corporate

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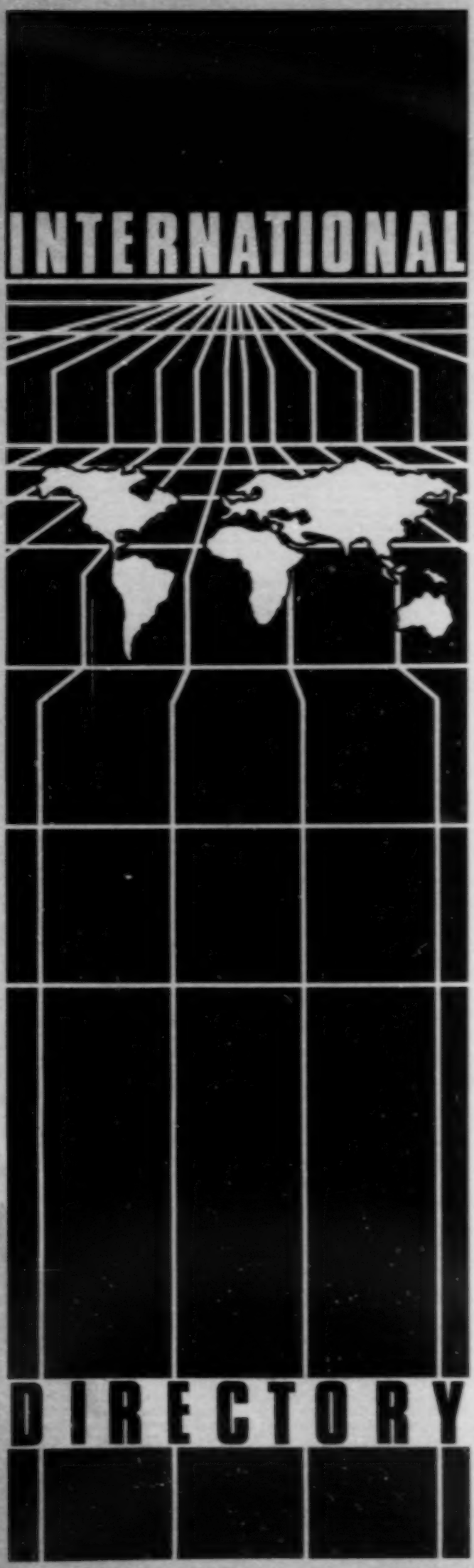

International activity by funds found to be leveling off

NEW YORK — The unusually strong U.S. dollar throughout 1984 had a dramatic effect on the performance of overseas money managers during the past 15 months and, in turn, on the level of total investment by U.S. pension funds, according to a *Pensions & Investment Age* survey of international and global managers.

U.S. tax-exempt assets invested overseas increased only by about 9% during the 15 months ended March 31.

Eighty-three international investment advisers reported total U.S. tax-exempt assets under management of $15.9 billion as of March 31, compared with $14.6 billion for the year ended Dec. 31, 1983.

Of this total, roughly $13.6 billion was invested in overseas stocks, roughly $1.8 billion in foreign bonds and $760 million in foreign cash equivalents.

The growth of the assets invested overseas didn't keep pace with the return for Capital International's Europe Australia and Far East Index, which was up 18.5% in dollar terms, and up 8.8% excluding Japanese bank stocks, which were underweighted in most international portfolios.

In fact, the growth rate of the assets suggests money actually might have been withdrawn from international investment by U.S. pension funds in the 15-month period.

The impression is heightened by the slow growth in the assets managed by the top international managers.

Assets managed by the top 20 managers accounted for roughly $12.6 billion of the overall total, which is virtually unchanged from the $12.2 billion level reported Dec. 31, 1983.

Any withdrawal of assets from international investing probably was a result of companies establishing dedicated bond funds, like Chrysler Corp., or terminating plans, like Celanese Corp.

This leveling off of assets under management by the leading international managers marks an end to the ebullient growth in assets of the past three years.

Indeed, the survey covering 1983 foreign investment showed a 36% jump in assets, to $12.2 billion. Likewise, the survey covering 1982 investments of the top 20 international managers revealed a 23% increase, to $9 billion.

The year earlier, assets under management internationally for the top 20 advisers were $7.3 billion, or 46% greater than the level of the year prior to that.

Perhaps the most important change in overseas investment to occur in the past year has been the rise in popularity of global accounts as opposed to international (i.e., non-U.S. or non-North American) accounts among pension fund customers.

For the first time, the *P&I Age* survey asked international money managers to break out whether they had global investment capability and how much in tax-exempt assets they were managing in that manner.

Responses indicated the development of

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3 consider overseas moves

FRESH ON the heels of the Tokyo seminar given by the Institute for Fiduciary Education, international investment is being weighed by the boards of at least three of the 12 public pension funds that were represented.

They are the $25 billion California Public Employees Retirement System, the $2.2 billion Illinois Municipal Retirement Fund and the $14 billion New York State Teachers System.

Further, even though moves into international investment have been tabled temporarily by the $1.2 billion Public Employees Retirement System of Nevada, one of its trustees, who attended the seminar too, said investment abroad still is being considered.

Although interest in international as a means of diversification might have predated the conference for some public fund officials, reactions to the meeting were favorable and participants seem to be considering foreign investment from a new perspective.

"Before this, the most exposure to international investment I'd gotten was from reading about the subject," said Gerald Sebesta, one of seven trustees for the Illinois municipal system.

"I've been on the board for 10 years, and it was without a doubt the best seminar I've attended for the amount of information available to participants and because it was a small group, there was a lot of one-on-one.

"They managed to bring together an interesting representation of people, including those with day-to-day responsibilities and also ones with policy-making responsibilities."

Mr. Sebesta said that while international diversification was a topic under consideration before the trip, the trip to Tokyo cemented his attitude toward the area.

"In fact, when I got back, I spoke to A.S. Hansen, our consultant, about it and will be recommending at the June meeting how we might bring other members up to the level of knowledge necessary to decide what we want to do now."

As for any move into international investing, "I think it definitely has a place in our portfolio," he said. "But, as for the amount and how fast it should proceed, (that) is up to the other six board members."

According to Nicholas Maletta, trustee with the New York teachers' fund, the seminar was very effective.

"This is an area most public funds are not involved in and they did a very good job in opening the subject up to us," he said.

Because the teachers' fund no longer is legally restricted from making foreign investments, "I'm going to discuss it with the board

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Stories by Rose Darby

Art by Amy Palmer

International investment advisers ranked by tax-exempt assets invested abroad

Rank	Firm	($ mil.)
1.	J.P.Morgan Investment Mgt. Inc.	$2,185.0
2.	Morgan Grenfell Investment Services Ltd.	1,218.0
3.	Fidelity International Investment Advs.	1,000.0
4.	Capital Guardian Trust Co.	974.9
5.	Rowe Price-Fleming Intl. Inc.	868.0
6.	Templeton Group	660.0
7.	G.T. Capital Mgt. Inc.	657.9
8.	Grantham Mayo Van Otterloo & Co.	569.0
9.	ABD International Mgt. Corp.	514.0
10.	State Street Bank and Trust Co.	491.0
11.	Batterymarch Financial Mgt.*	466.0
12.	Schroder Capital Mgt. Intl.	435.0
13.	Baring International Investment Ltd.	432.2
14.	PCM International	420.0
15.	First Chicago Investment Advisors	341.7
16.	N.M. Rothschild Intl. Asset Mgt.	315.0
17.	Citicorp Investment Mgt.	300.0
18.	Putnam International Advisors	250.6
19.	Mellon-Pictet Intl. Mgt. Ltd.	250.0
20.	Nomura Capital Mgt. Inc.	235.0
21.	Kleinwort Benson Intl. Invest. Ltd.	232.7
22.	Chase Investors Mgt. Corp.	223.4
23.	BEA Associates Inc.	218.0
24.	Warburg Investment Mgt. Intl. Inc.	200.0
25.	Kemper-Murray Johnstone Intl.	189.0
26.	BAIMCO International Ltd.	161.0
27.	Travelers Hill Samuel Intl. Ltd.	153.7
28.	Daiwa International Capital Mgt. Corp.	150.2
29.	Lombard Odier Intl. Portfolio Mgt. Ltd.	132.0
30.	Martin Currie Inc./Martin Currie	107.0
31.	Fiduciary Trust Co. of New York	100.5
32.	Frank Russell Trust Co.	92.6
33.	Brown Brothers Harriman & Co.	91.9
34.	Ivory & Sime International Inc.	90.0
35.	Capital Research and Mgt. Co.	85.0
36.	Nikko-Charterhouse J. Rothschild	82.0
37.	Alliance Capital Mgt. Intl. Inc.	78.0
38.	Capital Management Intl.	75.0
39.	IDS/Gartmore International Inc.	74.7
40.	Wellington Mgt. Co./T.D.P. & L.	67.1
41.	Globe Finlay Inc.	66.0
42.	BT Investment Mgt. Ltd.	64.0
43.	Aetna Montagu Asset Mgt.	62.0
44.	The Vanguard Group	60.0
45.	Centerre Trust Co. of St. Louis	56.0
46.	Scudder, Stevens & Clark	54.4
47.	Yamaichi Capital Mgt. Inc.	38.0
48.	Julius Baer Investment Mgt. Inc.	35.0
49.	ASB Capital Mgt. Inc.	31.0
50.	Walter Scott International Ltd.	30.0
51.	CIGNA	26.0
52.	Wertheim-Philippe International	26.0
53.	CB International Investment Ltd.	22.0
54.	Wells Fargo Investment Advisors	21.4
55.	Thomas J. Herzfeld Advisors Inc.	20.0
56.	Prudential Asset Mgt. Co.	14.6
57.	RebublicBank Dallas	14.0
58.	SBC Portfolio Mgt. Intl.	13.3
59.	Wardley Marine Intl. Invest. Mgt.	12.2
60.	American Express Asset Mgt.	12.0
61.	Foreign and Colonial Asset Mgt.	11.5
62.	Alexander, Scriver & Assoc. Inc.	10.0
63.	Laidlaw Capital Mgt. Inc.	10.0
64.	The Spangler Group Inc.	8.0
65.	American Natl. Bank & Trust Co./Chi.	7.7
66.	Arnhold and S. Bleichroeder Intl.	7.0
67.	HT Investors Inc.	5.0
68.	James Investment Research Inc.	5.0
69.	Peoples National Bank of Washington	5.0
70.	Barclays Investment Mgt. Ltd.	3.8
71.	Bessemer Trust Co.	2.1
72.	TheToledo Trust Co.	1.6
73.	Markston International Inc.	1.3
74.	John M. Cunningham Inc.	1.0
75.	First Investors Equity Mgt. Co.	1.0
76.	Newport Pacific Mgt.	0.5
77.	Credit Suisse First Boston (Asset Mgt.)	0.0
78.	Kangyo Kakumaru Capital Mgt. Corp.	0.0
79.	N. Reitenbach & Co. Inc.	0.0
80.	New Japan Capital Mgt. (USA) Inc.	0.0
81.	Paribas Asset Mgt. Inc.	0.0
82.	Simms Capital Mgt. Ltd.	0.0
83.	Swiss American Asset Mgt. Intl.	0.0
	TOTAL	**$15,945.5**

* Includes The Vanguard Group assets

Directory

a

ABD International Management Corp.

10 E. 53rd St., New York, N.Y. 10022; (212) 319-5020

Total assets managed	$612 million
Tax-exempt assets managed:	
Total	$514 million
Invested overseas	$514 million

ABD International, a subsidiary of Dresdner Bank AG in Frankfurt, West Germany, managed $514 million in international accounts for 10 U.S. tax-exempt clients as of March 31. Of that, $411 million was in foreign stocks, $77 million in foreign bonds and $26 million in cash equivalents.

The firm looks for real values at reasonable prices and has capabilities of investing in up to 19 markets worldwide.

It aims to produce superior returns through its currency management program and stock selection while controlling the risks inherent in international portfolios by actively managing currency positions and by following specific portfolio structure guidelines.

It managed $1.5 billion for foreign pension funds.

Analysts or portfolio managers are stationed in Frankfurt, New York, Tokyo, Singapore and Hong Kong.

Minimum account size for individual management is $10 million. The firm is registered with the SEC as an investment adviser as of 1980.

Clients include AT&T, GM, GE and Oregon Public Employees.

The client contact is J.B. Jordon, director-client services and marketing.

Aetna Montagu Asset Management

151 Farmington Ave., Hartford, Conn. 06156; (203) 636-6251

Total assets managed	$3,440 million
Tax-exempt assets managed:	
Total	$62 million
Invested overseas	$62 million

Aetna Montagu, a subsidiary of Montagu Investment Management, managed $62 million in international accounts for 28 U.S. tax-exempt clients as of March 31.

The international equity assets were committed most heavily in Japan, 50%; the United Kingdom, 14%; West Germany, 6%; Italy, 5%; and Switzerland, 4%.

In addition, the firm managed $1.5 billion for foreign pension funds.

The investment approach is active management of country, asset, stock and currency weightings. The top-down approach is integrated closely with bottom-up stock selection using overseas investment resources. It combines the roles of fund manager and analyst with strong emphasis on low p/e, growth companies.

All of the U.S. tax-exempt assets were in in commingled accounts.

Analysts or portfolio managers are stationed in London, Tokyo, Hong Kong and Hartford, Conn.

Minimum account size for individual management is $5 million.

Clients include Atlantic City Electric, Croda, Hughes Tool and Western Pennsylvania Hospital.

The client contact is Christian W. Thwaites, assistant vice president.

Alexander, Scriver & Associates Inc.

1099 18th St., Suite 2810, Denver, Colo. 80202; (303) 298-1858

Total assets managed	$110 million
Tax-exempt assets managed:	
Total	$62 million
Invested overseas	$10 million

Alexander, Scriver & Associates, a subsidiary of Chemical New York Corp., managed $10 million in international accounts for one U.S. tax-exempt client as of March 31. Of that, $3 million was in foreign stocks and $7 million in cash equivalents.

The equity assets of this account were invested most heavily in Singapore and Australia, 15% each.

Quantitative analysis is used to determine the country allocation, evaluate currencies and to select individual issues within each country. Alexander, Scriver's contrarian approach attempts to look for overreactions in markets by analyzing price information. Its fundamental analysis relies on a Graham & Dodd analysis similar to that used in the United States.

Minimum account size for individual management is $5 million.

Analysts or portfolio managers are stationed in Denver.

Alexander, Scriver has been registered with the SEC as an investment adviser since 1978.

Clients include Chemical Bank pension plan.

The client contact is Gerald H. Scriver, president.

Alliance Capital Management International Inc.

Buckingham House, 62/3 Queen St., London, EC4R 1AD, England; (01) 248-8881

Total assets managed	$512 million
Tax-exempt assets managed:	
Total	$181 million
Invested overseas	$78 million

Alliance Capital Management International, a subsidiary of Alliance Capital Management Corp., invested $78 million in international accounts for 22 U.S. tax-exempt clients as of March 31. Of that, $75 million was invested in foreign stocks and $3 million in cash equivalents.

The equity assets were invested most heavily in Japan, 29%; Germany, 13%; Holland, 23%; Switzerland, 9%; and the United Kingdom, 8.5%.

The firm managed $230 million for foreign pension funds.

For international investing, geographic and industrial structure is stressed. Emphasis is placed on market valuation, industry valuation and cyclical or secular attraction locally or cross-frontier. There is distinct overweighting of countries and industries, a strong stock selection effort, low R-squared in each market and a capital asset pricing model overlay. QUANTEC analysis is used in each market.

Of the assets invested abroad, $73 million was in commingled accounts.

Minimum account size for individual management is $5 million.

Analysts or portfolio managers are stationed in New York, London and Tokyo.

Alliance Capital has been registered with the SEC since 1971.

Clients include ITT and IBM Australia. Contact Clinton Kendrick, chairman, in London, or in New York at (212) 902-4093.

American Express Asset Management

375 Park Ave., Suite 1407, New York, N.Y. 10022; (212) 415-0802

Total assets managed	$330 million
Tax-exempt assets managed:	
Total	$12 million
Invested overseas	$12 million

American Express Asset Management, a subsidiary of the American Express Co., managed $12 million in a global account for one U.S. tax-exempt client as of March 31. Of that, $8.3 million was in stocks, $2.2 million in bonds and $1.5 million in cash equivalents.

The equity assets were committed most heavily in the United States, 29%; Japan, 21%; Germany, 12%; the United Kingdom, 11%; and Switzerland, 10%.

American Express Asset Management identifies global investment themes and uses opportunistic stock selection, dynamic asset allocation and active currency management to enhance returns. Decision-making is supported by microcomputer technology to implement and control the investment process.

The firm is registered with the SEC.

Minimum account size for individual management is $15 million.

Analysts or portfolio managers are stationed in London and Brussels.

The client contact is Susan Leader, director of marketing.

American National Bank & Trust Co. of Chicago

33 N. LaSalle St., Chicago, Ill. 60690; (312) 661-6925

Total assets managed	$8 million
Tax-exempt assets managed:	
Total	$8 million
Invested overseas	$8 million

American National Bank & Trust Co. managed $8 million in international accounts for seven U.S. tax-exempt clients, all in a commingled account.

As of March 31, the equity assets were invested most heavily in Japan, 52%; United Kingdom, 18%; Switzerland, 4.9%; Australia, 3.9%; and France, 3.2%.

For investing U.S. tax-exempt assets, the firm tracks Capital International's EAFE index.

Minimum account size for separate management is $5 million.

Analysts or portfolio managers are stationed in Chicago.

The client contact is Jim Kartalia at (312) 661-5870.

ASB Capital Management

655 15th St. N.W., Suite 800, Washington, D.C. 20005; (202) 383-6300

Total assets managed	$3,378 million
Tax-exempt assets managed:	
Total	$2,990 million
Invested overseas	$31 million

ASB Capital Management, a subsidiary of American Security Corp., managed $31 million in international accounts for 53 tax-exempt U.S. clients. Of that, $29 million was invested in foreign stocks and $2 million in foreign bonds. Of the total, $1.3 million was in commingled accounts.

The equity assets were committed most heavily to Japan, 31.9%; Germany, 16.7%; Australia, 7.4%; the Netherlands, 7%; and Switzerland, 5.4%.

There are two primary objectives in the firm's investment approach: to provide an investment vehicle through which portfolio diversification can be enhanced and to increase portfolio return.

The portfolio distribution is based on careful economic analysis and fundamental market, industry and company analysis.

Minimum account size for separate management is $1 million.

Analysts or portfolio managers are stationed in Washington, D.C.

The firm is registered with the SEC.

The client contact is Howard E.N. Wilson, vice president, (202) 383-6390.

b

Julius Baer Investment Management Inc.

330 Madison Ave., New York, N.Y. 10017; (212) 949-9055

Total assets managed	$50 million
Tax-exempt assets managed:	
Total	$50 million
Invested overseas	$35 million

Julius Baer Investment Management, a subsidiary of Switzerland-based Bank Julius Baer & Co. Ltd., managed $35 million in international and global accounts for three U.S. tax-exempt clients as of March 31. Of that, $5 million was in foreign stocks, $29 million in foreign bonds and $1 million in cash equivalents.

As of March 31, $32 million was invested in international accounts. The fixed-income assets were most heavily committed to Japan, 50%; Germany, 15%; the Netherlands, 15%; the United Kingdom, 10%.

The firm invested $3 million in global accounts. Equity assets were most heavily committed to Japan, 45%; Germany, 10%; the Netherlands, 10%; Switzerland, 10%; the United Kingdom, 10%; and U.S. cash, 10%.

The investment approach uses active currency allocation, emphasizing strong, stable countries, top-quality government securities and orientation and short- to immediate-term maturi-

ties (three to seven years).

Minimum account size for separate management is $5 million.

Analysts and portfolio managers are stationed in London and Zurich.

The firm is registered with the SEC.

Clients include Walter-Kidde, Owens-Illinois and Toledo Trust.

The client contact is Jay A. Dirnberger, managing director.

BAIMCO International Ltd.

No. 1 Watling St., London EC4P 4BX, England; (01) 634-4000

Total assets managed	$435 million
Tax-exempt assets managed:	
Total	$247 million
Invested overseas	$161 million

As of March 31, BAIMCO International, a subsidiary of BA Investment Management Corp., managed $161 million abroad for six tax-exempt U.S. clients. Of that, $29 million was in foreign stocks and $132 million in foreign bonds.

Of the total invested abroad, $148 million was invested in international accounts. The equity assets were committed most heavily to Japan, 37%; the United Kingdom, 21%; the Netherlands, 8%; Canada, 8%; and France, 7%.

The remainder was in global accounts. These equity assets were committed most heavily to Japan, 11%; United Kingdom, 11%; the Netherlands, 9%; France, 7%; and Italy, 4%.

Of the U.S. tax-exempt assets invested abroad, $52 million was in commingled accounts.

The investment approach establishes mutually agreed upon investment objectives and risk/return parameters. Its active, broadly top-down, disciplined approach includes an ongoing analysis of underlying fundamentals; separate market and currency decisions; a multiscenario approach; and expected return targets vs. riskless investment returns. It is a fixed-income specialist.

Minimum account size for separate management is $2 million for equity and $5 million for bond and balanced accounts.

Analysts and portfolio managers are stationed in London and San Francisco.

It is in the process of registering with the SEC.

The client contacts are Joy Harper in London, (01) 634-4664, and Francois Dennery in New York, (212) 503-7628.

Barclays Investment Management Ltd.

Juxon House, 93 St. Paul's Churchyard, London EC4M 8EH, England; (01) 248-9155

Total assets managed	$6,000 million
Tax-exempt assets managed:	
Total	$47 million
Invested overseas	$4 million

Barclays Investment Management Ltd., a subsidiary of Barclays Bank, managed $4 million in international accounts for one tax-exempt U.S. client. Of that, $1.4 million was invested in foreign stocks and $2.4 million in foreign bonds.

Equity assets were committed most heavily to Canada, Europe, Japan/-Asia and Australia.

In addition, the firm has about $4.5 billion from U.K. pension funds under management.

Asset allocation is derived from a top-down approach concentrating on real, as distinct from monetary, assets identifying favored sectors on an international basis. Quantitative analytical techniques are employed where specific risk/return requirements are clearly identifiable and where available data permits use of these techniques.

Minimum account size for separate management is $10 million.

Analysts or portfolio managers are stationed in London, Paris, Geneva, Amsterdam and Sydney.

Barclays is registered with the SEC.

The client contacts are David Moss, managing director, and Michael Roberts, executive director-international section, in London at (01) 248-9156.

Pensions & Investment Age's annual institutional brokerage survey will be published Sept. 30.

Baring International Investment Ltd.

9 Bishopsgate, London EC2N 3AQ, England; (01) 623-5264

Total assets managed	$444 million
Tax-exempt assets managed	
Total	$432 million
Invested overseas	$432 million

Baring International Investment, a subsidiary of Baring International Investment Management Ltd., managed $432 million in international accounts for 13 tax-exempt U.S. clients, as of March 31. Of that, $393 million was in foreign stocks, $17 million in foreign bonds and $22 million in cash equivalents.

The equity assets were committed most heavily in Japan, 32%; the United Kingdom, 21%; Germany, 9%; the Netherlands, 6%; and Switzerland, 5%.

Minimum account size for separate management is $10 million.

Analysts or portfolio managers are stationed in London, Hong Kong and Tokyo.

Baring uses a macro approach for asset class and geographic selection, focusing on economic policy, currency outlook and other factors. Within individual countries it is a stockpicker, focusing on reinvestment rates to select individual securities. The firm will move as much as 50% of its funds into cash in times of uncertainty.

Baring is registered with the SEC.

Clients include Inland Steel, Beatrice, Conrail and Honeywell.

Contacts are John F. McNamara, director, or Anne L. Turner, representative, (617) 357-9074.

Batterymarch Financial Management

600 Atlantic Ave., Boston, Mass. 02210; (617) 973-9300

Total assets managed	$ 12,843 million
Tax-exempt assets managed:	
Total	$12,523 million
Invested overseas	$466 million

Batterymarch managed $466 million in international accounts for 31 tax-exempt U.S. clients as of March 31. One of the accounts is a commingled fund with 27 clients. Of the total assets, $419 million was invested in foreign stocks and $47 million in cash equivalents; $390 million was in the commingled account.

Equity assets were committed most heavily to Australia, 19%; Japan, 17%; the United Kingdom, 16%; Hong Kong, 10%; and Singapore, 10%.

Batterymarch's investment process emphasizes country markets that are contrarian, value-oriented and offer superior diversification vs. the United States. Stock selections are the result of disciplined, quantitative valuation techniques.

Minimum account size for separate management is $10 million.

Analysts or portfolio managers are stationed in Boston.

The firm is registered with the SEC.

The client contact is Alan J. Strassman, executive vice president.

BEA Associates Inc.

153 E. 53rd St., 58th Floor, New York, N.Y. 10022; (212) 832-2626

Total assets managed	$4,417 million
Tax-exempt assets managed:	
Total	$4,197 million
Invested overseas	$218 million

BEA Associates Inc. managed $218 million overseas for 10 tax-exempt U.S. clients as of March 31. Of this, $168 million was in foreign stocks and $50 million in foreign bonds.

Of the $218 million, $65 million was invested in international accounts and $153 million was in global accounts.

Equity assets in both types of accounts were committed most heavily in the United Kingdom, Japan, Italy, Canada and Sweden.

Minimum account size for separate management is $5 million.

Analysts and portfolio managers are stationed in New York.

The foreign investment philosophy uses price sensitivity and value orientation. It seeks better relative values within a global context. It also tries to identify markets that are moving out of phase with the U.S. markets to reduce portfolio volatility and vulnerability.

It is registered with the SEC.

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Clients include the state of Oregon and Arthur D. Little.

The contact is Albert L. Zesiger, chairman.

Bessemer Trust Co.

630 Fifth Ave., New York, N.Y. 10111; (212) 708-9141

Total assets managed	$3.689 million
Tax-exempt assets managed:	
Total	$510 million
Invested overseas	$2.1 million

Bessemer Trust, a subsidiary of the Bessemer Group Inc., invests $2.1 million overseas for six tax-exempt U.S. clients. As of March 31, $900,000 was invested in foreign stocks, and $1.2 million in cash equivalents.

Equity assets were committed most heavily to Japan, 22%; West Germany, 14%; the United Kingdom, 12%; the Netherlands, 11%; and Hong Kong, 8%.

Bessemer places an emphasis on asset allocation and country selection based on macroeconomic data. A fundamental approach is used in stock selection. Portfolios are actively managed and primarily equity oriented. In-house research is augmented by relationships with several non-U.S. advisers and local brokers. It seeks to achieve incremental returns relative to U.S. markets and reduce overall portfolio risk and volatility.

Minimum account size for separate management is $5 million.

The company has portfolio managers in New York City and Palm Beach, Fla., and analysts in New York.

Robert Q. Wyckoff Jr., vice president, is the client contact.

Arnhold and S. Bleichroeder International

45 Broadway, New York, N.Y. 10006; (212) 943-9200

Total assets managed	$25 million
Tax-exempt assets managed:	
Total	$7 million
Invested overseas	$7 million

Arnhold and S. Bleichroeder International managed $7 million in international accounts for three U.S. tax-exempt clients. All of the assets were invested in foreign stocks.

As of March 31, the equity assets were committed most heavily to Australia, 23.7%; Italy, 26.2%; Hong Kong, 17.5%; the United Kingdom, 11.2%; and Germany, 8.6%.

The firm selects securities, not countries. It evaluates the fundamental criteria of a company and compares absolute and relative p/e and price/cash flow. It targets a 50% rate of return for each selected stock for a 12- to 24-month time horizon. It owns no more than 30 securities.

It is registered with the SEC.

Minimum size for separate management is $5 million.

Analysts or portfolio managers are stationed in New York.

Clients include NL Industries.

The client contact is Frederic C. Reynolds, vice president.

Brown Brothers Harriman

59 Wall St., New York, N.Y. 10005; (212) 483-1818

Total assets managed	$8,900 million
Tax-exempt assets managed	
Total	$4,880 million
Invested overseas	$92 million

As of March 31, Brown Brothers Harriman & Co. managed $91.9 million in international accounts for five tax-exempt U.S. clients. Of that, $82.2 million was in foreign stocks, $1.3 million in foreign bonds and $8.4 million in cash equivalents.

The equity assets were committed most heavily to Japan, 40%; the United Kingdom, 13%; Germany, 11%; Switzerland, 9%; and Australia, 8%.

The firm also managed $152 million for foreign pension funds.

Brown Brothers Harriman tries to identify countries whose growth rates will exceed that of the United States and whose policies are pro-investment. It looks for industry sectors with above-average growth and stocks within those sectors with the best earnings potential. While it uses fundamental analysis to examine a company's balance sheet and income statement, it uses technical analysis for buy/sell decisions. It seeks marketability, hedges currency risk when appropriate and manages reserves aggressively.

Minimum account size for separate management is $5 million.

Analysts or portfolio managers are stationed in New York, London and Tokyo. The client contact is Frank J. Keeler, manager, at (212) 483-5376.

BT Investment Management

Dashwood House, 69 Old Broad St., London EC2P 2EE, England; (01) 726-4141

Total assets managed	$700 million
Tax-exempt assets managed	
Total	$64 million
Invested overseas	$64 million

BT Investment Management, a subsidiary of Bankers Trust Co., managed $64 million in international accounts for 10 tax-exempt U.S. clients, as of March 31. Of that, $60 million was in foreign stocks and $4 million in cash equivalents; all assets were in commingled accounts.

The equity assets were committed most heavily to the United Kingdom, 41%; Japan, 18.6%; the Netherlands, 9.3%; Australia, 8.5%; and Germany, 6.6%.

The firm selects country allocations by analyzing multiple scenario forecasts for 12 countries; it then selects individual securities, guided by international research and analytical reports. Selection of Japanese stocks is done by BT Investment's portfolio managers in Tokyo.

Minimum account size for separate management is $5 million.

Analysts or portfolio managers are stationed in New York, Tokyo and London.

It is registered with the SEC.

Clients include Mobil, Lincoln Telephone & Telegraph, Lockheed and CPC International.

Client contacts are Vik Maharaj in New York at (212) 850-2534; and Roger Ward in London.

Capital Guardian Trust

333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200

Total assets managed	$10,249 million
Tax-exempt assets managed:	
Total	$10,249 million
Invested overseas	$975 million

As of March 31, Capital Guardian Trust Co., a subsidiary of Capital Group Inc., managed $975 million abroad for 19 tax-exempt U.S. clients. Of that, $854 million was invested in foreign stocks, $35 million in foreign bonds and $86 million in cash equivalents.

Of the total invested abroad, $771 million was in international accounts. The equity assets were committed most heavily to Japan, 39.4%; Germany, 15.5%; the United Kingdom, 8.7%; Hong Kong, 6.4%; and Australia, 6.1%.

The remaining $203.6 million was invested globally. The equity assets for these accounts were committed most heavily to the United States, 44.4%; Japan, 17.6%; Germany, 10.6%; the United Kingdom, 5.5%; and Australia, 3.9%.

Capital Guardian uses a fundamental value-oriented approach based on thorough, detailed research supported by direct management contacts. An additional focus is provided by portfolio managers and analysts with country or area economic, political and social overview responsibilities.

Of the $975 million invested abroad, $336 million was in commingled accounts.

Minimum account size for separate management is $10 million.

Clients include Xerox, Atlantic Richfield and the Common Fund for Nonprofit Organizations.

Client contacts are John H. Seiter, vice president, and Philip A. Swan, marketing associate.

Capital Management International GmbH of Deutsche Bank

9 W. 57th St., New York, N.Y. 10019; (212) 832-1630

Total assets managed	$100 million
Tax-exempt assets managed:	
Total	$75 million
Invested overseas	$75 million

Capital Management International GmbH had $75 million invested internationally for one U.S. tax-exempt client as of March 31.

The equity assets were committed most heavily to Japan, 39.1%; West Germany, 23.2%; Switzerland, 8.8%; Italy, 4.3%; and Hong Kong, 4.2%.

The company uses an active, top-down selection of countries with an emphasis on large-cap stocks. It is value-oriented, with a conservative strategy based on fundamentals. Stock selection emphasizes financial strength, low p/e ratios, sustainable earnings growth and market timing.

For fixed income it uses interest rate anticipation in conjunction with economic analyses of countries and an assessment of intermediate-term currency movements.

Capital Management also managed $25 million for foreign pension funds.

It has portfolio managers or analysts stationed in Frankfurt am Main, West Germany.

The minimum account size for separate management is $1 million.

It is registered with the SEC.

Michael Tintelnot, vice president, is the client contact.

Capital Research and Management Co.

333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9900

Total assets managed	$9,183 million
Tax-exempt assets managed:	
Total	$1,950 million
Invested overseas	$85 million

Capital Research and Management invested $76.7 million overseas for global accounts through its New Perspective Fund and $8.3 million, all in equity, for international accounts through its EuroPacific Growth Fund.

The assets of the EuroPacific Growth Fund were committed most heavily to Japan, 25.8%; the United Kingdom, 13%; Germany, 8.7%; Sweden, 6.6%; and Hong Kong, 6.5%. The New Perspective Fund's weightings included the United States, 42%; Japan, 13%; Germany, 8.8%; the United Kingdom, 6.4%; and Hong Kong, 4.6%.

Capital Research uses a value-oriented approach based on far-ranging research and intensive analysis.

The firm has portfolio managers or analysts in Los Angeles, New York, San Francisco, Washington, London, Geneva and Tokyo.

Tax-exempt clients include Santa Fe International and Castle & Cooke.

Benjamin H. Shattuck, senior vice president, is the client contact.

CB International Investments

100 Wall St., New York, N.Y. 10005; (212) 248-0100

Total assets managed	$700 million
Tax-exempt assets managed:	
Total	$22 million
Invested overseas	$22 million

CB International Ltd. had all of its U.S. tax-exempt assets in international accounts, and all but $1.7 million in stocks as of March 31.

The equity assets were committed most heavily to Japan, 53%; Hong Kong, 10%; Germany, 9%; Canada, 10%; and the Netherlands, 5%.

CB International uses a disciplined, value-oriented approach emphasizing intermarket valuation and portfolio construction within a quantitative framework.

The firm has portfolio managers or analysts in London, Hong Kong, Singapore or Melbourne.

The firm is registered with the SEC. It is a subsidiary of County Bank Ltd., London.

Minimum account size is $5 million.

Thomas S. Marshall, senior vice president, is client contact.

Centerre Trust Co. of St. Louis

510 Locust St., St. Louis, Mo. 63101; (314) 231-9300

Total assets managed	$6,244 million
Tax-exempt assets managed:	
Total	$2,795 million
Invested overseas	$56 million

All of the $56 million invested overseas for 22 U.S. tax-exempt accounts by Centerre Trust was in a commingled international account. Of this, $52 million was in stocks and $4 million was in cash as of March 31.

The assets were invested most heavily in Japan, 44%; the United Kingdom, 13%; Germany, 10%; France, 5%; and the Netherlands, 5%.

It places primary emphasis on over- or underweighting countries, followed by stock and sector selection. The primary factor to decision-making is fundamental research with large movement between countries being a key factor.

Clients include Burlington Northern, Squibb Corp. and Union Electric Co.

Rollin C. Woltjen, vice president, director-employee benefit marketing, is the client contact.

Chase Investors Management Corp.

1211 Avenue of the Americas, 37th Floor, New York, N.Y. 10036; (212) 730-3744

Total assets managed	$16,955 million
Tax-exempt assets managed:	
Total	$14,205 million
Invested overseas	$223 million

Chase Investors managed $2.7 million in international accounts for U.S. tax-exempt clients as of March 31. In addition, the firm had roughly $221 million invested overseas for U.S. tax-exempt clients in discretionary domestic accounts.

Of the total $223 million, $169.5 million was in foreign stocks, $45.4 million was in foreign bonds and roughly $8.5 million was in overseas cash equivalents.

The equity assets were committed most heavily to Japan, 50%; United Kingdom, 20%; West Germany, 7%, Switzerland, 7% and the Netherlands, 6%.

Chase Investors employs a top-down/bottom-up, moderate country and cash allocation approach. The overview of world economic cycles is based on analysis of economic strength and currency relative to the dollar on a 12-month horizon. This analysis forms the basis for equity/cash/fixed-income allocation. Then, based on sector and stock analysis, specific country allocations

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are made. In addition, a significant portion will be aligned with the EAFE index on an industry basis, and major bets will be made around the core.

The firm has analysts or portfolio managers in New York and London. Minimum account size for separate management is $10 million.

The firm is registered with the SEC.

The client contact is Edward V. Arbaugh, vice president.

CIGNA

950 Cottage Grove Road, Hartford, Conn. 06152; (203) 726-3153

Total assets managed	$34,100 million
Tax-exempt assets managed:	
Total	$16,000 million
Invested overseas	$26 million

CIGNA managed $26 million in international accounts for 26 U.S. tax-exempt clients as of March 31. Of that, $18 million was in foreign stocks, $7 million was in foreign bonds and $1 million in cash equivalents.

The equity assets were committed most heavily to Japan, 29%; Hong Kong, 14%; England, 9%; Germany, 8%; and Switzerland, 4%.

Of the international investments, $6 million was in commingled accounts.

CIGNA emphasizes international equities demonstrating rapid growth in earnings in industries whose fundamental characteristics are attractive. This philosophy embraces companies with significant cyclical potential. It also incorporates a thorough country and currency evaluation. The approach seeks above average growth of capital within a discipline that avoids overpaying.

The firm has analysts or portfolio managers stationed in Hartford, London, Tokyo and Philadelphia.

Minimum account size for separate management is $5 million.

The firm is registered with the SEC.

The client contact is Thomas R. John, vice president-investment sales.

Citicorp Investment Management

Hudson House, 2-10 Tavistock St., London WC2E 7PE, England; (011) 44-1-438-0821

Total assets managed	$25,000 million
Tax-exempt assets managed:	
Total	$21,500 million
Invested overseas	$300 million

Citicorp Investment Management managed $300 million in international accounts for 70 U.S. tax-exempt clients. Of that, $230 million was in foreign stocks, $63 million in foreign bonds and $7 million in cash equivalents.

The equity assets were committed most heavily to Japan, 43%; the United Kingdom, 11%; Germany, 11%; Canada, 6%; and Hong Kong, 4%.

In addition, the firm managed $40 million for foreign pension funds.

The firm uses active management with a growth orientation. Portfolios are diversified, with specialization in growth stocks. Stock selection is regionalized for day-to-day decisions with specialists in Europe and the Far East. Asset allocation is controlled centrally.

Analysts and portfolio managers are stationed in London, New York and Hong Kong.

Of the $300 million invested abroad, $200 million is in commingled accounts. Minimum account size for separate management is $5 million.

Clients include Consolidated Edison, Alaska Public Employees, Alaska Teachers and Army & Air Force Exchange Service.

The client contact is Anthony Watson, chief investment officer.

Credit Suisse First Boston (Asset Management) Ltd.

22 Bishopsgate, London, EC2N 4BQ, England; (01) 634-3000

Total assets managed	0

Credit Suisse First Boston Ltd., which registered with the SEC in March, has no assets under management.

The firm is mainly an international bond and cash equivalent manager. It believes prudent diversification of fixed-income portfolios through non-U.S. capital markets can result in higher total returns and lower volatility. The firm specializes in multicurrency bond diversification for pension plans and the management of cash and cash equivalents globally for the treasury department of U.S. multinational corporations and banks.

Minimum account size for separate management is $10 million.

The firm has analysts or portfolio managers stationed in London, New York, Frankfurt, Geneva, Zurich, Singapore and Tokyo.

The client contact is Michael J.W. Daley.

John M. Cunningham Inc.

150 Strafford Ave., Suite 208, Wayne, Pa. 19087; (215) 687-5060

Total assets managed	$13 million
Tax-exempt assets managed:	
Total	$7 million
Invested overseas	$1 million

John M. Cunningham managed $1 million abroad for 10 U.S. tax-exempt

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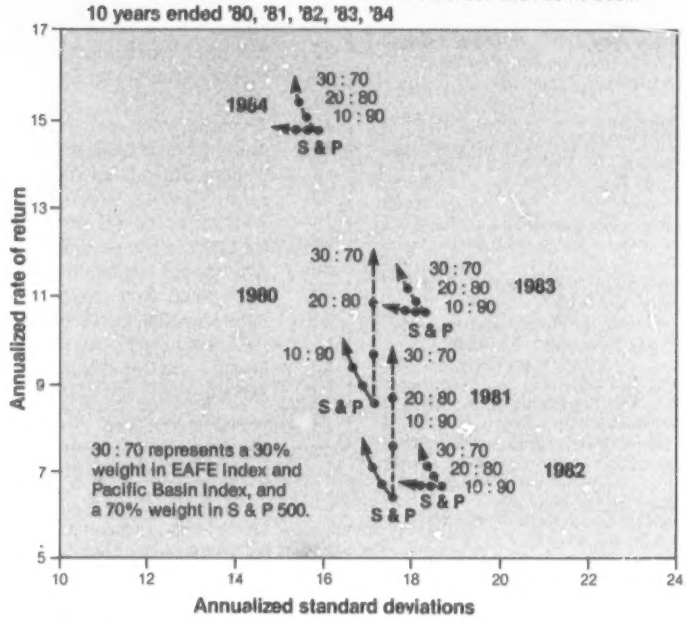

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clients as of March 31.

The firm invests in stocks that have at least 10% growth in earnings and dividends. The issues must trade in the United States and be for companies that provide products to world markets. It looks for value and relative strength vs. domestic issues.

Minimum account size for separate management is $1 million.

The firm is registered with the SEC.

The client contact is John M. Cunningham, president.

Martin Currie Inc./Martin Currie

29 Charlotte Square, Edinburgh, Scotland EH2 4HA; (011) 44-31-225-3811

Total assets managed	$900 million
Tax-exempt assets managed:	
Total	$107 million
Invested overseas	$82 million

Martin Currie Inc., a subsidiary of Martin Currie & Co., managed $82 million overseas for five U.S. tax-exempt clients as of March 31. Of that, $78 million was in foreign stocks and $4 million in cash equivalents.

As of March 31, $44 million was invested in international accounts. The equity assets in those accounts were committed most heavily to Japan, 32%; the United Kingdom, 16%; the Netherlands, 15%; Germany, 14%; and Canada, 9%.

The remaining $63 million was in global accounts. The equity assets in those accounts were committed most heavily to the United States, 35%; Japan, 25%; Germany, 10%; the United Kingdom, 9%; and the Netherlands, 7%.

The investment process is in two stages: the selection of markets using various screens, particularly a currency screen, and the selection of stocks where other screens are employed, qualitative and quantitative. The two major markets, Japan and the United Kingdom, are always featured in portfolios.

Minimum account size for separate management is $10 million.

The firm is registered with the SEC.

The client contacts are David Skinner and Michael Kennedy.

d

Daiwa International Capital Management Corp.

1 Liberty Plaza, New York, N.Y. 10006; (212) 732-6600

Total assets managed	$5,181 million
Tax-exempt assets managed:	
Total	$150 million
Invested overseas	$150 million

Daiwa International Capital Management Corp., subsidiary of Daiwa International Capital Management Co. Ltd., managed $150 million in international accounts for six tax-exempt U.S. clients. Of that, $140 million was in foreign stocks and $10 million in foreign bonds.

The equity assets ware committed most heavily to Japan, 97.5%; Australia, 1.9%; and Singapore, 0.6%.

The firm managed $187.5 million for foreign pension funds.

Daiwa is a research-oriented, active manager, seeking incremental returns from equity investments in the international markets. The stock selection process focuses on a company's long-term growth potential and the relative value of its stock price.

Analysts and portfolio managers are stationed in Tokyo and London.

Of the $150 million invested abroad, $7 million was in commingled accounts. Minimum account size for separate management is $5 million.

Daiwa is registered with the SEC.

Clients include United Technologies, GM, Frank Russell Trust and Oregon.

The client contact is Michael J. Bonner, senior vice president.

The annual Directory of Cash Management Services will be published in the July 22 issue.

f

Fidelity International Investment Advisors

68 Devonshire St., Boston, Mass. 02109; (617) 570-6330

Total assets managed	$1,260 million
Tax-exempt assets managed:	
Total	$1,075 million
Invested overseas	$1,000 million

Fidelity International Investment Advisors managed $1 billion in international and global accounts for U.S. tax-exempt clients as of March 31. Of that $950 million was in foreign stocks and $50 million in cash equivalents.

The international accounts totaled $850 million. The equity assets in those accounts were committed most heavily to Japan, Germany, the United Kingdom, Hong Kong, the Netherlands and France.

The global accounts, all equity, totaled $150 million. Those holdings were invested in the United States, Japan, the United Kingdom and the Netherlands.

Of the tax-exempt assets invested abroad, $70 million was in commingled accounts.

The firm takes an active asset allocation approach based on a top-down economic and political outlook. Portfolio managers in regional offices — London, Hong Kong, Tokyo and Boston — select securities within the country. Country allocation decisions are made by the investment policy committee.

Minimum account size for separate management is $20 million.

The firm is registered with the SEC.

Clients include IBM, Amoco and GTE.

The client contact is William B. Fink, vice president.

Fiduciary Trust of New York

2 World Trade Center, New York, N.Y. 10048; (212) 466-4100

Total assets managed	$8,490 million
Tax-exempt assets managed:	
Total	$2,900 million
Invested overseas	$100 million

Fiduciary Trust Co. managed $100 million in international and global accounts for 10 U.S. tax-exempt clients as of Dec. 31, 1984. Of that, $81 million was in foreign stocks, and $19 million was in foreign bonds.

International investments accounted for $64 million, with the equity assets being committed most heavily to Japan, 44%; Germany, 11%; the United Kingdom, 8%; the Netherlands, 8%; and Switzerland, 7%.

Global investments accounted for $36 million, with the equity assets being committed most heavily to the United States 48%; Japan, 22%; Germany, 7%; the Netherlands, 4%; and Switzerland, 4%.

Of the assets invested abroad, $2 million was in commingled accounts.

The firm also had $145 million invested for foreign pension funds.

Fiduciary Trust's investment philosophy employs balanced global asset allocation. It is risk-and-return oriented with a top-down/bottom-up approach to international markets emphasizing a worldwide economic outlook and careful stock selection. Major portfolios are broadly diversified, with a core approach.

It has analysts or portfolio managers stationed in New York, London, Los Angeles and Geneva.

Minimum account size for separate management is $3 million.

The client contact is George J. Mullen Jr., senior vice president.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill. 60670; (312) 732-6400

Total assets managed	$6,520 million
Tax-exempt assets managed:	
Total	$6,437 million
Invested overseas	$342 million

First Chicago Investment Advisors, a subsidiary of First Chicago Corp., managed $342 million in international accounts for 68 tax-exempt U.S. clients. Of that, $111.5 million was invested in foreign stocks, $208.7 million in foreign bonds and $21.5 million in cash equivalents.

The equity assets were committed most heavily to Japan, 39.8%; the United Kingdom, 13.6%; Germany, 9.4%; Canada, 5.2%; and Switzerland, 4%.

The firm is an active manager of diversified international portfolios. The firm uses internally developed valuation models, risk systems and other quantitative techniques in a structured decision process. The equity approach is value-oriented and identifies mispriced markets and securities. Fixed income is treated as a separate asset class, with interest rate and currency forecasts integrated into strategic forecasts.

Of the $342 million invested abroad, $228 million was in commingled accounts. Minimum account size for separate management is $1 million.

Analysts and portfolio managers are stationed in London and Chicago.

Clients include Ameritech, Chicago Police, Honeywell and Schering-Plough.

The client contact is Richard C. Carr, managing director.

International investment advisers ranked by new business

Rank	Firm	($ mil.)
1.	Templeton Group	$307.0
2.	Batterymarch Financial Mgt.*	268.0
3.	N.M. Rothschild Intl. Asset Mgt.	264.0
4.	Capital Guardian Trust Co.	224.3
5.	Morgan Grenfell Investment Services Ltd.	177.0
6.	Mellon-Pictet Intl. Mgt. Ltd.	130.0
7.	First Chicago Investment Advisors	121.5
8.	Schroder Capital Mgt. Intl.	105.0
9.	Travelers Hill Samuel Intl. Ltd.	72.5
10.	Fidelity Intl. Investment Advs.	65.0
11.	IDS/Gartmore Intl. Inc.	64.4
12.	G.T. Capital Mgt. Inc.	54.8
13.	Baring Intl. Investment Ltd.	47.6
14.	Barclays Investment Mgt. Ltd.	46.5
15.	Nikko-Charterhouse J. Rothschild	43.0
16.	Putnam International Advisors	42.7
17.	Citicorp Investment Mgt.	40.0
18.	Frank Russell Trust Co.	36.2
19.	Kemper-Murray Johnstone Intl.	30.0
20.	Walter Scott International Ltd.	30.0
21.	Chase Investors Mgt. Corp.	26.0
22.	Alliance Capital Mgt. Intl. Inc.	25.0
23.	Capital Mgt. Intl.	25.0
24.	BAIMCO International Ltd.	23.0
25.	Wertheim-Philippe Intl.	21.5
26.	SBC Portfolio Mgt. Intl.	21.0
27.	Martin Currie Inc./Martin Currie	17.0
28.	Daiwa International Capital Mgt. Corp.	16.5
29.	Scudder, Stevens & Clark	15.0
30.	Prudential Asset Mgt. Co.	14.6
31.	Julius Baer Investment Mgt. Co.	12.9
32.	American Express Asset Mgt.	12.0
33.	Centerre Trust Co. of St. Louis	11.6
34.	The Spangler Group Inc.	11.0
35.	Aetna Montagu Asset Mgt.	10.0
36.	Alexander, Scriver & Assoc. Inc.	10.0
37.	State Street Bank and Trust Co.	10.0
38.	Warburg Investment Mgt. Intl. Inc.	10.0
39.	Yamaichi Capital Mgt. Inc.	8.0
40.	Nomura Capital Mgt. Inc.	7.0
41.	CIGNA	5.5
42.	Wellington Management Co./T.D.P.&L.	5.4
43.	Arnhold and S. Bleichroeder Intl.	5.0
44.	Laidlaw Capital Mgt. Inc.	5.0
45.	Brown Brothers Harriman & Co.	4.8
46.	BT Investment Mgt. Ltd.	3.0
47.	CB International Investments Ltd.	2.0
48.	Wardley Marine Intl. Invest. Mgt.	2.0
49.	The Toledo Trust Co.	1.6
50.	American Natl. Bank & Trust Co./Chi.	1.1
51.	First Investors Equity Mgt. Co.	1.0
52.	Foreign and Colonial Asset Mgt.	0.3
	TOTAL	**$2,513.3**

* includes The Vanguard Group assets

First Investors Equity Management Co.

120 Wall St., New York, N.Y. 10005; (212) 208-6026

Total assets managed	$180 million
Tax-exempt assets managed:	
Total	$4 million
Invested overseas	$1 million

First Investors Equity Management, a subsidiary of First Investors Consolidated Corp., managed $1 million in global accounts for two tax-exempt U.S. clients as of March 31. All of the assets were in foreign stocks.

The equity assets were most heavily committed to the United States, 20%; Canada, 17%; Hong Kong, 11.4%; and Israel, 11%.

First Investors is a value-oriented investor seeking stocks selling at a substantial discount to their intrinsic value.

It uses a contrarian, top-down strategy to locate markets, industries and securities capable of outperforming general market trends.

Analysts and portfolio managers are stationed in New York.

Minimum account size for separate management is $1 million.

First Investors is registered with the SEC.

The client contact is F. Allen Dudley, vice president.

Foreign and Colonial Asset Management

45 Wall St., New York, N.Y. 10005; (212) 806-4480

Total assets managed	$1,800 million
Tax-exempt assets managed:	
Total	$11.5 million
Invested overseas	$11.5 million

Foreign and Colonial Asset Management managed $11.5 million in international accounts for eight tax-exempt U.S. clients as of March 31. All of the assets were in commingled accounts, with $10.6 million in foreign stocks and $900,000 in cash equivalents.

The equity assets were committed most heavily to Japan, 32%; the United Kingdom, 20%; the Netherlands, 14%; Australia, 7%; and Switzerland, 5%.

In addition, the firm managed $300 million for foreign pension funds.

Stock selection is 75% of the firm's investment effort, with economics, country/currency comprising the balance. Companies selling at significant discount to asset value, possessing strong financials, capable of sustaining earnings in expanding markets or enjoying special positions in more stable markets are sought. Sector analysis is key to Japanese stocks.

Minimum account size for separate management is $2 million.

Analysts and portfolio managers are stationed in London.

Foreign and Colonial is registered with the SEC.

Contact John K. Holland, vice president and senior marketing officer.

g

Globe Finlay Inc.

245 Park Ave., New York, N.Y. 10167; (212) 557-7022

Total assets managed	$220 million
Tax-exempt assets managed:	
Total	$66 million
Invested overseas	$66 million

As of March 31, Globe Finlay, a subsidiary of Globe Investment Trust, managed $66 million in international and global accounts for three U.S. tax-exempt clients. Of that, $60 million was invested in foreign stocks and $6 million in cash equivalents.

Of the $66 million invested abroad, $41 million was in international accounts and $25 million was in global accounts.

Globe Finlay concentrates portfolios in stocks and markets where local price earnings multiples are justified by above-average, medium-term growth prospects.

Analysts and portfolio managers are stationed in New York, London, Geneva and Tokyo.

Minimum account size for separate management is $10 million. The firm is registered with the SEC.

The client contact is Ralph Difiore.

Grantham, Mayo, Van Otterloo & Co.

125 High St., Boston, Mass. 02110; (617) 574-4817

Total assets managed	$1,330 million
Tax-exempt assets managed:	
Total	$1,132 million
Invested overseas	$569 million

Grantham, Mayo, Van Otterloo & Co. managed $569 million in international accounts for 27 U.S. tax-exempt clients as of March 31. Of that, $558 million was in foreign stocks and $11 million in cash equivalents.

The equity assets in those accounts were committed most heavily to Japan, 20%; United Kingdom, 28%; the Netherlands, 8%; Germany, 8%; and France 5.5%.

Commingled accounts held $130 million of the assets invested abroad; minimum account size for separate management is $25 million.

The firm uses a rigorous value approach seeking low p/e ratios, low price to book ratio, high yield and best

present value. It weighs countries to their relative cheapness.

Minimum account size for separate management is $25 million.

The firm is registered with the SEC.

Clients include the World Bank, Corning Glass, The Common Fund and Scott Paper.

The client contact is Dyan Whelan.

G.T. Capital Management

601 Montgomery St., Suite 1400, San Francisco, Calif. 94111; (415) 392-6181

Total assets managed	$1,000 million
Tax-exempt assets managed:	
Total	$658 million
Invested overseas	$658 million

G.T. Capital Management Inc. managed $658 million in international and global accounts for 17 clients as of March 31, all of it in foreign stocks.

The equity portion of the $595 million in international accounts was committed most heavily to Japan, 47%; Europe, 24%; the United Kingdom, 15%; Hong Kong, 8%; and Australia, 6%.

The $63 million in global accounts was most heavily invested in the United States, 50%; Japan, 21%; Europe, 13%; United Kingdom, 6%; and Hong Kong 5%.

G.T.'s investment philosophy of global growth investing combines a top-down approach to geographic asset allocation (growth economies) with a bottom-up approach to security selection (growth companies).

The firm has analysts or portfolio managers stationed in London, Hong Kong, Tokyo, San Francisco and Menlo Park, Calif.

Minimum account size for separate management is $15 million. The firm is registered with the SEC.

Clients include IBM, GM, AT&T and GTE.

The client contact is Mary Lou Bernhoft, vice president-marketing and client services.

h

Thomas J. Herzfeld Advisors

7800 Red Road, South Miami, Fla. 33143; (305) 665-6500

Total assets managed	$85 million
Tax-exempt assets managed:	
Total	$60 million
Invested overseas	$20 million

Thomas J. Herzfeld Advisors Inc. had invested $20 million in closed-end funds in the United Kingdom and Canada for six U.S. tax-exempt clients as of March 31.

The investment emphasis is focused on market timing, portfolio evaluation of individual funds and intensive analysis of the discount from net asset value of the closed-end funds.

Clients include Allied and Owens-Illinois. The firm is registered with the SEC.

Thomas J. Herzfeld is the client contact.

HT Investors Inc.

321 S. Main St., Providence, R.I. 02903; (401) 276-6100

Total assets managed	$800 million
Tax-exempt assets managed:	
Total	$800 million
Invested overseas	$5 million

HT Investors, a subsidiary of RIHT Financial Corp., managed $5 million in international accounts for 15 tax-exempt U.S. clients as of March 31. All of the assets were in foreign stocks.

The assets were committed most heavily to Japan, 24.6%; the United Kingdom, 18.2%; Germany, 10.7%; the Netherlands, 1.2%; and Hong Kong, 5.8%.

In addition, the firm managed $5 million in foreign pension funds.

For fixed-income, the firm uses a rigid top-down approach. For equity, a bottom-up approach emphasizing growth and value is used.

Analysts and portfolio managers are stationed in Providence.

All of the assets invested abroad were in commingled accounts. Minimum account size for separate mangement is $5 million.

The firm is registered with the SEC.

Clients include Providence Journal, Providence Gravure, Bradley Hospital and Ballou.

The client contacts are Brian H. Guck, senior vice president, at (401) 278-8899, and Richard Fitts at (401) 276-5188.

i

IDS/Gartmore International

3100 IDS Tower, Minneapolis, Minn. 55474; (612) 372-1335

Total assets managed	$89 million
Tax-exempt assets managed	
Total	$75 million
Invested overseas	$75 million

IDS/Gartmore International Inc., a subsidiary of IDS Financial Services Inc., managed $74.7 million in international and global accounts for 10 U.S. tax-exempt clients as of March 31. Of that, $72.5 million was in foreign stocks and $2.2 million in cash equivalents.

As of March 31, $47.8 million was invested in international accounts. The equity assets in those accounts were committed most heavily to Japan, 46%; Hong Kong, 17%; the Netherlands, 13%; Germany, 10%; Switzerland, 5%.

The remaining $26.9 million was in global accounts. The equity assets in those accounts were committed most heavily to Japan, 38%; the United States, 20%; Hong Kong, 16%; Germany, 9%; and the Netherlands, 8%.

Of the assets invested abroad, $26.3 million was in commingled accounts. Minimum account size for separate management is $10 million.

IDS/Gartmore International's active management style employs both a top-down and bottom-up approach. The blend allows decisions in one area to transmit through to another, thereby creating the flexibility and awareness necessary in international investment management.

The firm has analysts or portfolio managers in London.

The firm is registered with the SEC.

Clients include Finch Pryun, Lear Siegler, Honeywell and Allegheny.

The client contact is Cheryl K. Gruetzmacher, vice president.

Ivory & Sime International

39 Main St., Chatham, N.J. 07928; (201) 635-6700

Total assets managed	$101 million
Tax-exempt assets managed:	
Total	$101 million
Invested overseas	$90 million

Ivory & Sime International Inc. managed $90 million in both international and global accounts for four U.S. tax exempt clients as of March 31.

Of the $90 million, $73 million was invested in international accounts and $17 million in global accounts.

Equity assets in the international accounts were committed most heavily to Japan, 50%; the Netherlands, 12%; Germany, 8%; the United Kingdom, 8%; and Hong Kong, 7%.

The global accounts were weighed most heavily in the United States, 37%; Japan, 31%; the United Kingdom, 7%; Hong Kong, 6%; and the Netherlands, 3%.

For investment abroad, the firm takes a long-term, fundamental, research-driven approach with primary emphasis on stock selection and on identifying superior companies in a global context.

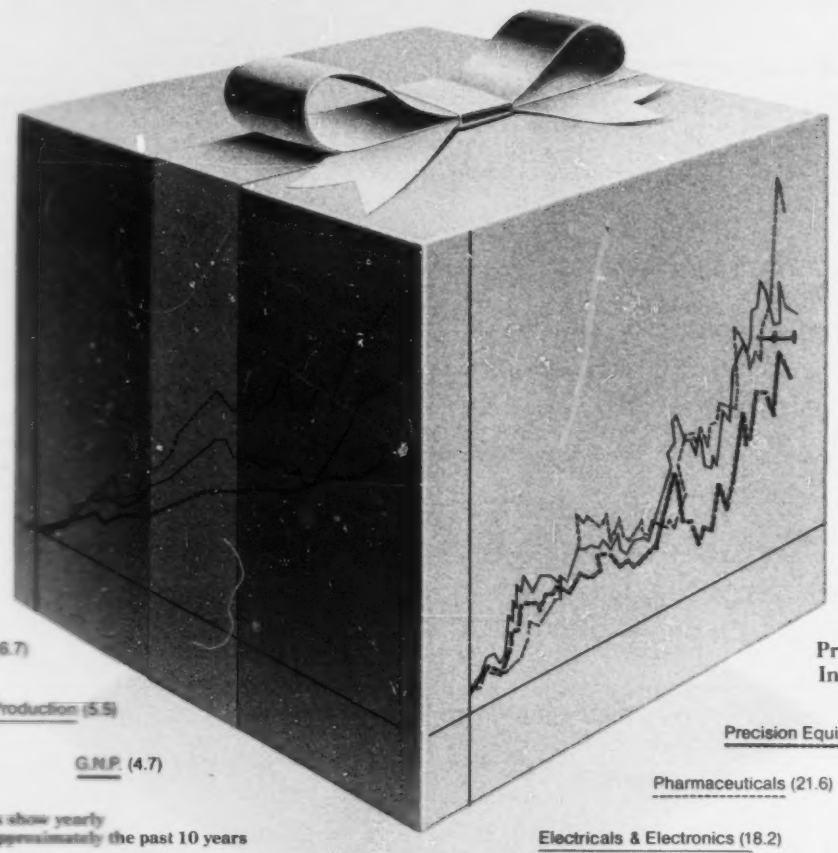
Minimum account size for separate management is $5 million.

It is registered with the SEC.

The client contact is Keith H. Wood, president.

Pensions & Investment Age's annual directory of real estate advisory firms will be published in the Sept. 16 issue.

THE JAPAN PACKAGE



Figures in parentheses show yearly growth rates for approximately the past 10 years

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One World Trade Center, Suite 4959 New York, New York 10048
Tel.: (212) 938-5602

j

James Investment Research
P.O. Box 8, Alpha, Ohio 45301; (513) 426-7640

Total assets managed	$120 million
Tax-exempt assets managed:	
Total	$88 million
Invested overseas	$5 million

James Investment Research Inc. managed $5 million in international equities for 45 U.S. tax-exempt clients.

The equity assets in those accounts were committed most heavily to Japan, the United Kingdom, Canada, France and Germany.

The firm emphasizes fund appreciation with determined preservation of capital. In addition to capital preservation, the firm uses a variety of statistical approaches to attain income and capital growth for clients.

Of the assets invested abroad, $900,000 was in commingled accounts. Minimum account size for separate management is $1 million.

The firm has analysts or portfolio managers stationed in Dayton, Ohio.

The firm is registered with the SEC.

The client contact is Linda S. Parenti, assistant to the president.

k

Kangyo Kakumaru Capital Management Corp.
1 State Street Plaza, New York, New York, 10004; (212) 509-4661

Total assets managed	$60 million
Tax-exempt assets managed:	
Total	0

Kangyo Kakumaru Capital Management Corp. did not have any U.S. tax-exempt assets under management as of March 31.

Minimum account size for separate management is $1 million.

The firm uses a top-down investment approach in which a country's macroeconomic situation is given first consideration. That is followed by an analysis of separate industries and then an examination of individual issues. The growth rate of a company's earnings per share and relative price earnings ratio are emphasized.

It is registered with the SEC.

Analysts or portfolio managers are stationed in San Francisco and Tokyo.

Client contact is Keiji Wada, president.

Kemper-Murray Johnstone International
120 S. LaSalle St., Chicago, Ill. 60603; (312) 845-1880

Total assets managed	$224 million
Tax-exempt assets managed:	
Total	$189 million
Invested overseas	$189 million

Kemper-Murray Johnstone International managed $189 million in international accounts for 20 U.S. tax-exempt clients as of March 31. Of that, $71 million was in foreign stocks and $118 million in foreign bonds.

The equity assets in those accounts were committed most heavily to Japan, 35%; the United Kingdom, 18%; Germany, 8%; Switzerland, 8%; and Hong Kong, 6%.

The firm uses a rigorous security selection of companies that are about to enter a superior growth phase. Its approach uses transnational industry analysis.

Of the assets invested abroad, $5 million was in commingled accounts. Minimum account size for separate management is $5 million.

The firm has analysts or portfolio managers stationed in Glasgow, Scotland, and Chicago.

The firm is registered with the SEC.

Clients include the Hallmark Foundation, Seven Continents Insurance, Cessna and Pillsbury.

The client contact is Gavin Dobson.

Kleinwort Benson International Investment
100 Wall St., New York, N.Y. 10005; (212) 747-0440

Total assets managed	$255 million
Tax-exempt assets managed:	
Total	$233 million
Invested overseas	$233 million

Kleinwort Benson International Investment Ltd., a subsidiary of Kleinwort Benson Ltd., managed $233 million in international accounts for 12 U.S. tax-exempt clients. Of that, $182 million was in foreign stocks, $41 million was in foreign bonds and $10 million in cash equivalents.

The equity assets in those accounts were committed most heavily to Japan, 23%; the United Kingdom, 15%; the Netherlands, 12%; Germany, 9%; and Hong Kong, 5%.

The firm emphasizes stock selection and places primary emphasis on purchasing undervalued growth stocks, although cyclical stocks are included from time to time. While this process is applied consistently on a worldwide basis, there are broader country guidelines so the portfolio is not overexposed in any given area.

The firm has analysts or portfolio managers stationed in London, Brussels, Geneva, Hong Kong, Tokyo and Melbourne.

Minimum fee $25,000.

The firm is registered with the SEC.

Clients include Allied, GM, Unocal and R.K. Mellon Foundation.

The client contact is Donald Hurley Jr., director.

l

Laidlaw Capital Management
275 Madison Ave., New York, N.Y. 10016; (212) 210-5707

Total assets managed	$620 million
Tax-exempt assets managed:	
Total	$440 million
Invested overseas	$10 million

Laidlaw Capital managed $10 million in global accounts for five tax-exempt clients as of March 31. Of this, $3 million was in foreign stocks and $7 million was in foreign bonds.

In order of weighting, equity assets in the international accounts were as follows: Japan, Canada, England, the Netherlands and the United States.

Minimum account size for separate management is $250,000.

The firm's foreign investment philosophy for U.S. tax-exempt clients revolves around value oriented equities combined with cash flow management through the use of debt vehicles.

It is registered with the SEC.

Client contact is Walter LeRoy Twiste.

Lombard Odier International Portfolio Management Ltd.
Portland House, 72-73 Basinghall St., London, EC2V 5PB, England (01) 606-9811

Total assets managed	$667 million
Tax-exempt assets managed:	
Total	$132 million
Invested overseas	$132 million

Lombard Odier managed $132 million in international and global accounts for three U.S. tax-exempt clients.

Of the tax-exempt assets invested abroad, $98.2 million was for international accounts and $33.8 million was for global accounts.

The equity assets in the international accounts were committed most heavily to Japan, 44.2%; the United Kingdom, 10.5%; Hong Kong, 8.2%; Germany, 6.6%; and France 5.9%.

Lombard Odier seeks to invest in equity sectors with above-average growth potential. Its large internal research unit identifies companies with the financial dynamism and management expertise to maximize real growth over time.

The firm has analysts or portfolio managers stationed in London and Geneva.

Minimum account size for separate management is $5 million. The firm is registered with the SEC.

Clients include American Can, Lockheed and IBM.

The client contact is Millar Law, marketing director and senior investment manager.

m

Markston International Inc.
405 Fifth Ave., New York, N.Y. 10018; (212) 947-5450

Total assets managed	$274 million
Tax-exempt assets managed:	
Total	$144 million
Invested overseas	$1 million

Markston International, through a commingled fund, managed $1.3 million abroad — all in stocks — for one U.S. tax-exempt client as of March 31.

The firm tries to buy value with a catalyst present in the stock that will help realize that value. Typical examples of what it buys include undervalued securities that often are underresearched, undergoing insider buying, shares repurchase, restructuring and/or large earnings gains.

Minimum account size for separate management is $5 million.

The firm is registered with the SEC.

The client contacts are Michael J. Mullarkey and John R. Stone.

Mellon-Pictet International Management Ltd.
Cutlers Gardens, 5 Devonshire Square, London, EC2M 4LD; (011) 441-283-7471

Total assets managed	$400 million
Tax-exempt assets managed:	
Total	$250 million
Invested overseas	$250 million

Mellon-Pictet managed $250 million in international accounts for 12 tax-exempt U.S. clients as of March 31. Of this, $240 million was in foreign stocks and $10 million was in foreign cash equivalents.

The entire $250 million is invested internationally. Equity assets were committed most heavily to Japan, 40%; the Netherlands, 12%; the United Kingdom, 10%; Hong Kong, 10%; and France, 8%.

International commingled accounts hold $13 million. Minimum account size for separate management is $5 million.

Mellon-Pictet employs an active asset allocation technique among markets and currencies. There is active stock selection with all investments for all accounts in each market, which is managed by the specialist for that market. Aggressiveness (i.e. degree of concentration) is systematically tailored for each client's needs.

The firm is registered with the SEC.

Analysts and portfolio managers are stationed in Geneva, London and Tokyo.

Clients include GM, Honeywell, Transco and the R.K. Mellon Glenmede Trust. The contact is Dan H. Blank, president.

J.P. Morgan Investment Management Inc.
30 Throgmorton St., London EC2N 2DT; (011) 441-600-2300

Total assets managed	$5.488 million
Tax-exempt assets managed:	
Total	$2.185 million
Invested overseas	$2.185 million

J.P. Morgan Investment managed $2.2 billion in international and global accounts for 33 U.S. tax-exempt clients as of March 31. Of that, $1.7 billion was in foreign stocks, $390 million was in foreign bonds and $59 million was in cash equivalents.

The firm managed $1.9 billion for international accounts and $334 million for global accounts.

The equity assets in international accounts were committed most heavily to Japan, 40%; Germany, 22%; the United Kingdom, 13%; Switzerland, 5%; and Hong Kong, 4%.

The equity assets for the global accounts were committed most heavily to the United States, 32%; Japan, 15%; Germany, 9%; United Kingdom, 7%; and Hong Kong, 4%.

Of the assets invested abroad, $986 million was in commingled accounts. Minimum account size for separate management is $10 million.

For international investments, the firm constructs the optimal portfolio by integrating global macro and micro research done by Morgan's team of multinational analysts combined with portfolio managers' knowledge and clients' objectives. The firm focuses on security, market and currency selection aiming to enhance portfolio value by decision in each of those areas.

There are analysts or portfolio managers stationed in London, Tokyo and Singapore.

The firm is registered with the SEC.

The client contact is Nicola R. Ozanne, assistant vice president.

Morgan Grenfell Investment Services Ltd.
72 London Wall, London, EC2M 5NH, England; (01) 588-4545

Total assets managed	$1.426 million
Tax-exempt assets managed:	
Total	$1.218 million
Invested overseas	$1.218 million

Morgan Grenfell managed $1.2 billion in international and global accounts for 44 U.S. tax-exempt clients as of March 31. Of that, $1.1 billion was in foreign stocks, $47 million in foreign bonds, and $40 million in cash equivalents.

The equity assets in the $1.1 billion international accounts were committed most heavily to Japan, 45%; the United Kingdom, 15%; Germany, 10%; the Netherlands, 6%; and Australia, 5%.

The equity assets in the global accounts were committed most heavily to the United States, 51%; Japan, 17%; United Kingdom, 8%; France, 6%; and Germany, 4%.

The firm's overseas investment philosophy is an active, global one. It emphasizes both market and stock selection decisions, and no investment is made without first considering the currency impact.

Minimum account size for separate management is $15 million.

The firm has analysts or portfolio managers stationed in London, Tokyo, Geneva, Sydney and Singapore.

The firm is registered with the SEC.

Clients include Allied, GM, the Rockefeller Foundation and Exxon.

The client contact is Elliott M. Gartner, director.

n

New Japan Capital Management (U.S.A.) Inc.
1 World Trade Center, Suite 4959, New York, N.Y. 10048; (212) 938-5602

Total assets managed	$526 million
Tax-exempt assets managed:	
Total	0

New Japan Capital Management (U.S.A.) Inc., a subsidiary of New Japan Capital Management Co. Ltd., had no U.S. tax-exempt assets under

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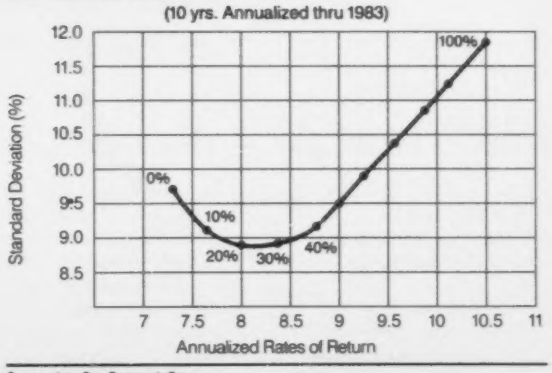


Source: InterSec Research Corp.

Jay A. Dirnberger, Managing Director
JULIUS BAER INVESTMENT MANAGEMENT INC.

New York
330 MADISON AVENUE
NEW YORK, N.Y. 10017
(212) 949-9055

London (Branch)
3 LOMBARD STREET
LONDON EC3V 9ER
(01) 623-4211

management as of March 31.

New Japan Capital takes a top-down and bottom-up approach to investments. Equities are placed — according to growth potential, industry leadership, capitalization, beta and p/e ratio — in one of three categories: growth, emerging growth and cyclical. Computer-aided, optimal portfolios are constructed to suit client preferences.

Minimum account size for separate management is $1 million.

Analysts and portfolio managers are stationed in Tokyo.

It is registered with the SEC.

The client contact is Hiroshi Takahashi, senior vice president.

Newport Pacific Management

500 Sansome St., Suite 810, San Francisco, Calif. 94111; (415) 781-5801

Total assets managed	$8 million
Tax-exempt assets managed:	
Total	$2 million
Invested overseas	$0.5 million

Newport Pacific Management, a subsidiary of Newport International Management Ltd., managed $500,000 in international, commingled accounts for one U.S. tax-exempt client, all in foreign stocks.

The assets were most heavily committed to Japan, 60%, and Hong Kong, 30%.

The firm uses a top-down approach with emphasis on the Far East and growth companies.

Minimum account size for separate management is $1 million.

The firm is registered with the SEC.

The client contact is John M. Mussey.

Nikko-Charterhouse J. Rothschild Capital Management Co. Inc.

350 Park Ave., New York, N.Y. 10022; (212) 319-2730

Total assets managed	$148 million
Tax-exempt assets managed:	
Total	$82 million
Invested overseas	$82 million

Nikko-Charterhouse J. Rothschild Capital Management, a subsidiary of Nikko International Capital Management Co. Ltd. and J. Rothschild Holdings, managed $82 million in international accounts for six U.S. tax-exempt clients as of March 31. Of that, $60 million was in foreign stocks and $22 million in cash equivalents.

Equity assets were committed most heavily to Japan, 65%; Hong Kong, 13%; and Australia, 2%.

Nikko-CJR is an active equity manager for the Pacific Basin area, extending its capabilities to global markets. A wide range of small- to large-cap stocks with above-average earnings growth potential are systematically searched for. For fixed-income management, the firm applies macroeconomic analysis on a per-country basis including currencies, interest rates, credit risk, quality and maturity factors.

Minimum account size for separate management is $5 million.

Analysts and portfolio managers are stationed in Tokyo, London, New York, Hong Kong, Paris, Frankfurt and Zurich.

It is registered with the SEC.

Clients include UAL, Eli Lilly, Pacific Lighting and Frank Russell Trust.

The client contact is Tetsuya Murakami, (212) 319-2738.

Nomura Capital Management

180 Maiden Lane, Suite 3703, New York, N.Y. 10038; (212) 509-8181

Total assets managed	$337 million
Tax-exempt assets managed:	
Total	$235 million
Invested overseas	$235 million

Nomura Capital Management Inc. managed $235 million in international accounts for nine U.S. tax-exempt clients as of March 31. Of that, $205 million was in foreign stocks and $30 million in cash equivalents. Equity assets were committed most heavily to Japan, 80%; Australia, 4.1%; Singapore, 1.9%; Hong Kong, 1.1%.

The firm offers active equity management in the Pacific Basin region using original fundamental and economic research with a global perspective to create portfolios through a disciplined valuation process and structured management process. Attention is focused on individual clients' risk parameters.

Minimum account size for separate management is $5 million.

Analysts and portfolio managers are stationed in Tokyo.

The firm is registered with the SEC.

Clients include GE, GM, Hawaii and McDonnell Douglas.

The client contact is Brian X. Fitzgibbon, senior vice president.

P

Paribas Asset Management

30 Rockefeller Center, New York, N.Y. 10020; (212) 408-0951

Total assets managed	$600 million
Tax-exempt assets managed:	
Total	$27 million

Paribas Asset Management Inc. emphasizes an asset mix that overweights some markets and asset categories and underweights others. A top-down systematic and disciplined process focuses on forecasts of major currencies, long-term market returns, short-term investment environment and technical factor trends. Individual bonds are selected by high-quality ratings, satisfactory trading volume, appropriate maturity and coupon attractiveness, and relative yield and protection against early calls.

The firm has analysts or portfolio managers in Paris, Geneva, Brussels, Amsterdam, Tokyo, Singapore, New York and Luxembourg.

It managed $8 million for foreign pension funds.

Minimum account size for separate management is $10 million.

The firm is registered with the SEC.

The client contact is Alain M. Leclair, president, (212) 408-0960.

PCM International

22 Prudential Plaza, Newark, N.J. 07101; (201) 877-7982

Total assets managed	$850 million
Tax-exempt assets managed:	
Total	$420 million
Invested overseas	$420 million

PCM International managed $420 million in commingled accounts for international and global investing for U.S. tax-exempt clients as of March 31.

International accounts totaled $360 million. The equity assets in those accounts were committed most heavily to Germany, 19.5%; Japan, 18.9%; the United Kingdom, 10.9%; and Hong Kong and Italy, 6.4% each.

Global accounts totaled $60 million, all in bonds.

PCM International's equity approach is to identify best-value stocks, buy ones in strong markets and hedge weak currencies. For bonds, it actively manages currency and maturity, staying with government quality.

The firm's analysts and portfolio managers are based in Newark.

Minimum fee is $75,000.

The firm is registered with the SEC.

Clients include Sony, Stanford University and Holly Sugar.

The client contacts are Barry Gillman, managing director, and Jim Gately, senior vice president, at Prudential Asset Management.

Peoples National Bank of Washington

P.O. Box 720, Seattle, Wash. 98111; (206) 344-2353

Total assets managed	$500 million
Tax-exempt assets managed:	
Total	$300 million
Invested overseas	$5 million

Peoples National Bank managed $5 million abroad for U.S. tax-exempt clients as of March 31, using Frank Russell Investment Management Co.'s multimanager, multistyle concept.

Minimum account size for separate management is $250,000.

The client contact is Alan D. Cooledge, corporate trust sales.

Rowe Price-Fleming International Inc.

100 E. Pratt St., Baltimore, Md. 21202; (301) 547-2141

Total assets managed	$1,083 million
Tax-exempt assets managed:	
Total	$868 million
Invested overseas	$868 million

Rowe Price-Fleming International managed $868 million in international and global accounts for 21 U.S. tax-exempt clients as of March 31.

Of the total, $780 million was invested in international accounts, the equity assets of which were committed most heavily to Japan, 43%; the United Kingdom, 16%; the Netherlands, 10%; Germany, 8%; and Hong Kong, 8%.

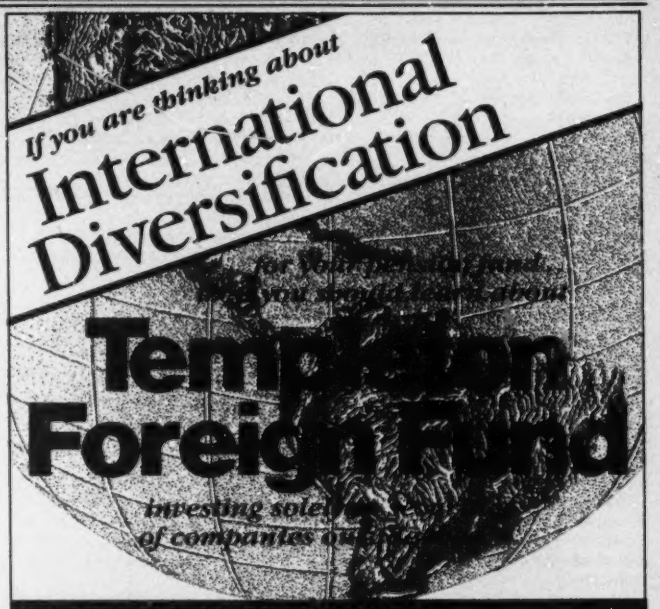
The remaining $88 million was invested in global accounts whose equity assets were committed most heavily to the United States, 30%; Japan, 17%; the United Kingdom, 9%; the Netherlands, 7%; and Germany, 6%.

In its international investments, Rowe Price-Fleming gives maximum attention to the area's key variables: asset allocation, geographical distribution and stock selection. Investment decisions then are based on disciplined analysis of economic, industry and individual company characteristics and trends.

Of the assets invested abroad, $214.5 million was in commingled accounts.

The firm has analysts or portfolio managers stationed in London, Tokyo, Hong Kong, Australia, Kuala Lumpur, Manila and New York.

Minimum account size for separate management is $10 million.



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405 Lexington Avenue, New York, New York 10174 (212) 808-0500
Affiliated Offices: London, Tokyo, Hong Kong, Singapore, Jersey C.I.
Member: NASD, SIPC

The firm is registered with the SEC.

Clients include IBM, GM, GTE and The Common Fund.

The client contact is Philippa B. Grant, vice president.

Prudential Asset Management Co.

19 Prudential Plaza, Newark, N.J. 07101; (201) 877-3735

Total assets managed	$35,675 million
Tax-exempt assets managed:	
Total	$35,675 million
Invested overseas	$14.6 million

Prudential Asset Management Co., a subsidiary of The Prudential Insurance Co. of America, managed $14.6 million in international accounts for six tax-exempt U.S. clients, as of March 31. Of that, $11.4 million was invested in foreign stocks and $3.2 million in cash equivalents.

The equity assets were committed most heavily to Japan, 50%; the United Kingdom, 11.6%; Germany, 10%; the Netherlands, 4.7%; and Australia, 3.9%.

All of the assets were invested in the Foreign Stock Index Fund, which tracks the EAFE index.

The minimum fee is $60,000.

Prudential Asset Management is registered with the SEC.

The client contact is Jim Gately, senior vice president.

Putnam International Advisors

1 Post Office Square, Boston, Mass. 02109; (617) 292-1232

Total assets managed	$579 million
Tax-exempt assets managed:	
Total	$251 million
Invested overseas	$251 million

Putnam International Advisors managed $251 million in international and global accounts as of March 31. Of the total, $233.1 was in foreign stocks and $17.5 million was in cash equivalents.

International accounts held $197.8 million. The equity assets of those accounts were committed most heavily to Germany, 19.5%; Japan, 18.9%; the United Kingdom, 10.9%; and Hong Kong and Italy, 6.4% each.

Global accounts totaled $52.8 billion. The equity assets in those accounts were committed most heavily to the United States, 29.5%; Japan, 14.3%; Germany, 12.2%; the United Kingdom, 7.6%; and Hong Kong, 5%.

Putnam International combines top-down and bottom-up analysis with the objective of adding value through market and stock selection. It uses an optimizer as a tool in country selection. Typically, EAFE portfolios are diversified broadly across 12 countries and then limited to 35 to 45 securities.

Of the U.S. tax-exempt assets invested abroad, $57.9 million was in commingled accounts. Minimum account size for separate management is $5 million.

Putnam also managed $72.4 million for foreign pension funds.

The firm is registered with the SEC. It has analysts or portfolio managers in Boston, London and Tokyo.

Clients include Sears, Bethlehem Steel, Scott Paper and Mt. Holyoke.

The client contact is Stephen P. Langer, senior vice president.

R

N. Reitenbach & Co. Inc.

122 E. 42nd St., New York, N.Y. 10168; (212) 713-2086

Total assets managed	0

N. Reitenbach & Co. Inc. had no assets under management as of March 31. It has only recently started looking for investment management clients. In the past, it advised other investment managers on international investment strategies and security selections.

The firm uses a global investment approach with the goal of attaining growth of capital and income with reduced volatility. Investments stress rapidly growing and unique companies. Foreign bonds also are used to contribute to total return. Convertible bond securities are actively used.

The firm's analysts or portfolio managers are in New York.

Minimum account size for separate management is $5 million.

The firm is registered with the SEC.

The client contact is Nicholas Reitenbach.

RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 922-3593

Total assets managed	$6,970 million
Tax-exempt assets managed:	
Total	$4,747 million
Invested overseas	$14 million

RepublicBank, a subsidiary of RepublicBank Corp., managed $14 million in international, commingled accounts for 60 tax-exempt U.S. clients. As of March 31, all assets were in foreign stocks.

The assets were committed most heavily to Japan, 42.6%; the United Kingdom, 21.7%; Germany, 8.9%; France, 6.3%; and Switzerland, 3.9%.

RepublicBank maintains an active approach to markets and currencies as well as to stocks and industries. It believes long-term success lies in proper country and security selection based on earnings and dividend growth. The overall objective is the maximization of return and diversification of risk.

The bank also managed $14 million for foreign pension funds.

Analysts and portfolio managers are stationed in Dallas and Edinburgh.

Minimum account size for separate management is $10 million.

Clients include Ford, Holly and Wyatt Cafeterias.

The client contacts are David J. Pittman, senior vice president and director-trust corporate marketing, and Vida S. Icenogle, vice president and director-investment marketing.

N.M. Rothschild International Asset Management Ltd.

New Court, St. Swithin's Lane, London, England EC4P 4DU; (011) 441-280-5000

Total assets managed	$352 million
Tax-exempt assets managed:	
Total	$346 million
Invested overseas	$315 million

N.M. Rothschild managed $315 million in international and global accounts for nine U.S. tax-exempt clients. Of that, $102 million was invested in foreign stocks, $186 million in foreign bonds and $27 million in cash equivalents.

As of March 31, $280 million was in international accounts. the equity assets of which were committed most heavily to Japan, 49%; Holland, 11%; the United Kingdom, 8.5%; Germany, 8.5%; and France, 7%.

The remaining $35 million was in global accounts whose equity assets were committed mostly in Japan, 51%; Holland, 14%; Germany, 11%; the United Kingdom, 9.5%; and France, 7.5%.

The firm also managed $6 million for foreign pension funds.

N.M. Rothschild aims to add value in currency, market and stock selection. The firm is an active asset allocator and market selector, with an emphasis on concentration in preferred markets.

Minimum account size for separate management is $3 million.

Analysts or portfolio managers are stationed in London, Tokyo, New York, Zurich, Paris, Singapore, Melbourne, Sydney and Kuala Lumpur.

The firm is registered with the SEC.

Clients include GM, American Airlines, RCA and Continental Telecom.

The client contact is James Heyworth-Dunne, vice chairman.

Frank Russell Trust Co.

P.O. Box 1454; Tacoma, Wash. 98401; (206) 572-2282

Total assets managed	$1,722 million
Tax-exempt assets managed:	
Total	$1,722 million
Invested overseas	$93 million

Frank Russell Trust Co., a subsidiary of The Frank Russell Co., managed $93 million in international, commingled accounts for 24 tax-exempt U.S. clients. Of that, $80.8 million was in foreign stocks and $11.8 million in cash equivalents.

The equity assets were committed most heavily to Japan, 27%; Australia, 10%; the United Kingdom, 9%; Canada, 9%; and Germany, 9%.

Frank Russell Trust Co. uses a multimanager, multistyle approach to achieve better long-term investment returns with lower risk. The International I Fund uses three advisers with a global emphasis on (non-U.S.) foreign equities. The International II Fund places emphasis on the Pacific Basin, using four on-site advisers.

There is a $1 million minimum account size for commingled accounts.

Clients include Encyclopaedia Britannica, R.T. French, PACCAR and American Greetings.

The client contact is Paul R. Kaltinick, president.

S

SBC Portfolio Management International Inc.

1 World Trade Center, Suite 8935, New York, N.Y. 10048; (212) 938-7465

Total assets managed	$65 million
Tax-exempt assets managed:	
Total	$25 million
Invested overseas	$13 million

SBC Portfolio Management, a subsidiary of Swiss Bank Corp., managed $13.3 million in international accounts for two tax-exempt U.S. clients as of March 31. Of that, $10 million was in foreign stocks, $300,000 in foreign bonds and $3 million in cash equivalents.

The equity assets were committed most heavily to the United Kingdom, 15%; Japan, 17%; Italy, 9%; Germany, 6%; and the Netherlands, 5%.

SBC uses an active, equity-oriented investment approach emphasizing total return. Top-down decisions precede bottom-up decisions, but both play a major role in decision-making. Its particular strength in economic and currency forecasting, together with its fundamental stock valuation technique, enables it to identify early opportunities.

Analysts and portfolio managers are stationed in New York, Hong Kong, Tokyo, Singapore, Sydney, London and Zurich.

Minimum account size for separate management is $1 million.

The firm is registered with the SEC.

Clients include Gulf & Western, Swissair and Sulzer Brothers.

The client contact is John W. Conlin, marketing director.

Schroder Capital Management International

1 State St., New York, N.Y. 10004; (212) 269-6500

Total assets managed	$575 million
Tax-exempt assets managed:	
Total	$435 million
Invested overseas	$435 million

Schroder Capital Management, a subsidiary of Schroders PLC, managed $435 million in international and global accounts for 13 tax-exempt U.S. clients. Of that, $420 million was in foreign stocks and $15 million was in cash equivalents.

As of March 31, $372 million was invested in international accounts, the equity assets of which were committed most heavily to Japan, 38%; the United Kingdom, 17%; Germany, 11%; the Netherlands, 10%; and France, 6%.

The remaining $63 million was invested in global accounts whose equity assets were committed most heavily to Japan, 35%; the United Kingdom, 18%; Germany, 12%; the Netherlands, 14%; and Italy, 3%.

Country allocations begin Schroder's investment process, with emphasis on stock selection in countries with the best economic prospects. Broad guidelines for country investment are based on two-year economic projections in order to quantify longer-term market opportunities. Within these guidelines, the current asset allocation decision is determined based on shorter term market considerations.

Distinctively emerging growth stocks make up the core of Schroder portfolios. Small to medium companies with an identified sustainable competitive advantage are frequently chosen.

The firm also managed $140 million for foreign pension funds.

Analysts and portfolio managers are stationed in London, New York, Zurich, Tokyo, Hong Kong, Singapore and Sydney.

Minimum account size for separate management is $5 million. Schroders is registered with the SEC.

Clients include GM, Sears and PPG.

The client contact is Sharon L. Haugh, first vice president/director of international marketing.

Walter Scott International

9 Great Stuart St., Edinburgh, Scotland EH3 7TP; (031) 225-9211

Total assets managed	$30 million
Tax-exempt assets managed:	
Total	$30 million
Invested overseas	$30 million

Walter Scott International Ltd., a subsidiary of Walter Scott & Partners/First Interstate Investment Services Inc., managed $30 million in international and global accounts for three U.S. tax-exempt clients. All of the assets were in foreign stocks.

As of March 31, $25 million was invested in international accounts, the equity assets of which were committed most heavily to Japan, 60%; Hong Kong, 18%; the United Kingdom, 12%; Denmark, 3%; and France, 3%.

The remaining $5 million was in global accounts, the equity assets of which were committed most heavily to the United States, 56%; Japan, 21%; Hong Kong, 15%; the United Kingdom, 6%; and Denmark, 2%.

Of the assets invested abroad, $10 million was in commingled accounts. Minimum account size for separate management is $5 million.

To provide a 6% real rate of return, portfolios are structured to represent the top quartile of the world's future stock index. Identification of the fastest growing sectors is followed by the selection in each sector of the leading stocks with the highest consistent internal growth rates. Geographic allocation is the result of this process.

The firm has analysts or portfolio managers stationed in Edinburgh.

The firm is registered with the SEC.

Clients include First Interstate Bancorp, Lincoln National Life and First Interstate Bank of Oregon.

The client contact is Richard A. Miller, director of U.S. marketing, 707 Wilshire Blvd., Suite 5300, Los Angeles, Calif. 90017; (213) 614-3175.

Scudder, Stevens & Clark

345 Park Ave., New York, N.Y. 10154; (212) 350-8200

Total assets managed	$13,264 million
Tax-exempt assets managed:	
Total	$7,161 million
Invested overseas	$54 million

Scudder, Stevens & Clark managed $54.4 million in international and global accounts for six tax-exempt U.S. clients. Of that, $44.3 million was in foreign stocks, $6 million in foreign bonds and $4.1 million in cash equivalents.

International accounts held $50 million. The equity assets of which were committed most heavily to Japan, 20%; Hong Kong, 9%; the Netherlands, 9%; Switzerland, 9%; and United Kingdom, 9%.

The remaining $4.4 million was invested in global accounts. Equity assets were committed most heavily to the United States, 47.1%; Japan, 29.7%; the United Kingdom, 9.2%; Belgium, 7.2%; and the Netherlands, 6.9%.

The three basic principles of Scudder, Stevens & Clark's investment approach are continuous in-depth research; broad diversification by country and industry; and active management providing flexibility to respond to unanticipated developments. The firm emphasizes a top-down approach based on macroeconomic trends, sound balance sheet and improving prospects for companies and countries.

Analysts and portfolio managers are stationed in New York, Boston and Los Angeles.

Minimum account size for separate management is $2 million.

Scudder, Stevens & Clark is registered with the SEC.

The client contact is Nicholas Bratt, senior group vice president.

Simms Capital Management

7 E. 78th St., New York, N.Y. 10021; (212) 861-2830

Total assets managed	$35 million
Tax-exempt assets managed:	
Total	0

As of March 31, Simms Capital had no tax-exempt assets under management. However, it did gain one $30 million global account for a U.S. tax-exempt client after the deadline.

In the firm's international approach, top-down parameters are considered. Emphasis is placed on a bottom-up, value-oriented individual security approach with hurdle rates of real return and hence preservation of capital. Currency impact is monitored and managed.

Minimum account size for separate management is $10 million.

The firm is registered with the SEC.

The client contacts are Robert A. Simms and Sarah Morton-Jones.

The Spangler Group

1 Boston Place, Boston, Mass. 02108; (617) 523-5557

Total assets managed	$163 million
Tax-exempt assets managed:	
Total	$90 million
Invested overseas	$8 million

The Spangler Group managed $8 million in global accounts for 60 tax-exempt U.S. clients as of March 31. Of that, $6 million was in foreign stocks, $1.5 million in foreign bonds and $500,000 in cash equivalents.

The equity assets were committed most heavily to Japan, 20%; Australia, 20%; England, 10%; Spain, 10%; France, 10%; and Italy, 10%.

In addition, the firm managed $5 million for foreign pension funds.

The Spangler Group is a flexible, total-return manager. Investments are selected globally for capital appreciation, as well as current income potential. Portfolio parameters are flexible, based on analysis of world economic and market actions.

Analysts and portfolio managers are stationed in Boston.

Minimum account size for separate management is $500,000.

The Spangler Group is registered with the SEC.

Clients include Turner Broadcasting Systems, Dade County (Fla.) Firefighters, Halcyon and National Perforating.

The client contact is Mark Emerson Spangler, president and chief investment officer.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110; (617) 786-3000

Total assets managed	$11,400 million
Tax-exempt assets managed:	
Total	$9,600 million
Invested overseas	$491 million

State Street Bank and Trust Co., a subsidiary of the State Street Bank Corp., managed $491 million in international accounts for five tax-exempt U.S. clients as of March 31. Of that, $397 million was in foreign stocks, $90 million in foreign bonds and $4 million in cash equivalents.

The equity assets were committed most heavily to Japan, 50%; the United Kingdom, 18%; Germany, 7%; Switzerland, 4%; and the Netherlands, 4%.

The firm also managed $93 million in foreign pension funds.

Of the $491 million invested abroad, $20 million was in commingled accounts. Minimum account size for separate management is $10 million.

The bank's investment approach is quantitatively based. Products include a passive index fund designed to track closely the EAFE index; a fund that indexes the EAFE markets but adjusts country allocations according to the bank's own evaluation; and a fund that holds country and industry weights to those of the EAFE but selects stocks with low price-to-earnings and low price-to-book values within these categories. The bank has also begun offering a non-dollar international bond index fund.

Analysts and portfolio managers are stationed in Boston.

Clients include IBM and The World Bank.

The client contact is Thomas P. Hogan at (617) 654-3222.

Swiss American Asset Management International

280 Park Ave., 27th Floor - East Building, New York, N.Y. 10017; (212) 557-0510

Total assets managed	$23 million
Tax-exempt assets managed:	
Total	0 million

Swiss American Asset Management International's investment philosophy advances the concept that portfolio selections should have a global perspective with companies selected from the major markets of the world: anywhere there are favorable conditions and companies demonstrating strong leadership positions and superior investment characteristics.

Analysts or portfolio managers are stationed in New York.

Minimum account size for separate management is $5 million.

The firm is registered with the SEC.

The client contact is Gordon L. Bowyer.

t

Templeton Group

P.O. Box N-7776, Nassau, Bahamas; (809) 327-4331

Total assets managed	$5,125 million
Tax-exempt assets managed:	
Total	$1,744 million
Invested overseas	$660 million

Templeton Group managed $660 million in international and global accounts for 70 tax-exempt U.S. clients as of March 31. Of that, $658 million was in foreign stocks and $2 million was in foreign bonds.

The firm invested $40 million in international accounts, the equity assets of which were committed most heavily to Canada, 24%; Australia, 10%; the United Kingdom, 10%; the Netherlands, 8%; and Japan, 6%.

The remaining $620 million was in global accounts. These equity assets were committed most heavily to Canada, 10%; Australia, 5%; the Netherlands, 6%; Japan, 2%; and the United Kingdom, 2%.

In addition, the firm managed $32 million for foreign pension funds.

The Templeton Investment approach is based on fundamental research and analysis. Research is governed by three key elements: security valuation levels are determined using a five- to six-year time range; assurance is made that growth and value are not mutually exclusive; and new methods of evaluating securities are tested constantly.

Analysts and portfolio managers are stationed in Fort Lauderdale, Fla., and Nassau.

Minimum account size for separate management is $10 million. Templeton is registered with the SEC.

The client contact is Michael G. Landry, senior vice president.

The Toledo Trust Co.

3 Seagate Plaza, Toledo, Ohio 43603; (419) 259-8145

Total assets managed	$1,400 million
Tax-exempt assets managed:	
Total	$610 million
Invested overseas	$2 million

The Toledo Trust Co., which offers U.S. tax-exempt clients a global bond fund and an international equity fund, managed nearly $2 million in non-domestic equities for seven U.S. tax-exempt clients.

The equity assets were committed most heavily to Japan, Germany, the United Kingdom, Switzerland and the Netherlands.

Julius Baer, with offices in Zurich, London and New York, is the investment agent for the international common trust funds.

Minimum account size for separate management is $25,000.

The client contact is David E. Judy, trust development officer.

Travelers Hill Samuel International Ltd.

1 Tower Square, Hartford, Conn. 06183; (203) 277-3772

Total assets managed	$261 million
Tax-exempt assets managed:	
Total	$154 million
Invested overseas	$154 million

Travelers Hill Samuel, an affiliate of The Travelers Corp. and Hill Samuel Investment Management Ltd., managed almost $154 million in international and global accounts for 44 tax-exempt U.S. clients as of March 31. Of that, $80.7 million was in foreign stocks, $56.3 million was in foreign bonds and $16.7 million in cash equivalents.

As of March 31, $131.2 million was invested in international accounts, the equity assets of which were committed most heavily to Germany, 22.1%; Japan, 20.5%; the United Kingdom, 14%; the Netherlands, 7.5%; and Hong Kong, 6.8%.

The remaining $22.5 million was in global fixed-income accounts.

Of the $153.7 million invested abroad, $61.2 million was in commingled accounts. Minimum account size for separate management is $5 million.

Travelers Hill Samuel emphasizes quantified appraisal of long-term value and shorter-term risk/reward potential in U.S.-dollar terms. Quantification techniques include discounted income flow analysis and purchasing power parity for currency appraisal. Computer-based optimization programs are used to match client objectives and research in constructing portfolios.

Portfolio manager/analysts are stationed in London.

Travelers Hill Samuel is registered with the SEC.

Clients include GE, Stanford University, United Presbyterian Foundation and Equifax.

The client contact is John C. Parish Jr., executive vice president.

v

The Vanguard Group

Vanguard Financial Center, Valley Forge, Pa., 19482; (215) 648-6000

Total assets managed	$4,400 million
Tax-exempt assets managed:	
Total	$3,000 million
Invested overseas	$450 million*

The Vanguard Group managed $450 million in international and global commingled accounts for 800 U.S. tax-exempt clients as of March 31. Of the total, $430 million was in foreign stocks and $20 million in cash equivalents.

Batterymarch Financial Management handles the firm's Trustees' Commingled Fund, an international commingled portfolio. The equity assets in this fund were committed most heavily to Australia, 17%; Japan, 15%; the United Kingdom, 16%; Hong Kong, 9%; and West Germany, 8%.

The Ivest Fund, which totals $25 million, is a global commingled portfolio, the equity assets of which were committed most heavily to Japan, 39%; the United Kingdom, 18%; Germany, 12%; and the Netherlands, 10%.

The Trustees Commingled portfolio, in order to realize long-term total return, strategically selects undervalued market sectors by using disciplined portfolio construction and comprehensive computer modeling. Relative valuation of both the international securities market and the stocks within those markets are the basis of selection. The Ivest Fund's foreign stock portfolio seeks long-term capital appreciation with stock selection emphasizing seasoned companies with favorable prospects, while seeking newer, special situation companies, also.

The firm has analysts or portfolio managers in Boston and London.

The client contact is John C. Bogle, chairman.

W

Warburg Investment Management International

499 Park Ave., New York, N.Y. 10022; (212) 348-3383

Total assets managed	$207 million
Tax-exempt assets managed:	
Total	$200 million
Invested overseas	$200 million

Warburg Investment Management International Ltd. managed $200 million in international and global accounts for U.S. tax-exempt clients as of March 31. Of the total, $180 million is managed internationally and roughly $20 million is managed globally.

The equity assets in the international accounts were committed most heavily to Japan, 48%; Germany, 13.4%; Switzerland, 6.8%; France 5%; and the Netherlands, 5%.

The equity assets in global accounts were committed most heavily to the United States, 50%; Japan, 20%; Germany, 6%; Switzerland, 4%; and Holland, 3%.

Warburg uses a London-based team of investment professionals whose capabilities are enhanced by an investment management presence in Japan. The research effort and the firm's experience in understanding the dynamics of the world's stockmarkets ensures market or stock selection, whichever is more appropriate, is highlighted.

It also manages $8 million for foreign pension funds.

The firm has analysts or portfolio managers in London and Tokyo.

Minimum account size for separate management is $5 million.

The firm has been registered with the SEC since 1976.

Clients include Atlantic Richfield, Centel, Hercules and Dartmouth College.

The client contact is John G. Townsend, general manager.

Wardley Marine International Investment Management

250 Park Ave., New York, N.Y. 10177; (212) 503-2741

Total assets managed	$64 million
Tax-exempt assets managed:	
Total	$12 million
Invested overseas	$12 million

Wardley Marine International managed $12.2 million in an international commingled fund for one tax-exempt U.S. client as of March 31.

The all-equity account was committed most heavily to Japan, 39.9%; the United Kingdom, 12.3%; Italy, 9.5%; Germany, 7.9%; and Hong Kong, 6.1%.

Minimum account size for separate management is $5 million.

The investment philosophy is top-down and value oriented. Country allocation is the most important investment decision. Relative value between various markets is assessed based on fundamental evaluation and currency forecasts. Within each market, individual stocks are selected based on fundamental analysis with earnings growth momentum as the key criterion.

The firm also managed $18.7 million for foreign pension funds.

It is registered with the SEC.

Analysts and portfolio managers are in London, Hong Kong, Melbourne, Tokyo and Singapore.

The client contact is Deborah G. George.

Wellington Management Co./Thorndike, Doran, Paine & Lewis

28 State St., Boston, Mass. 02109; (617) 742-8100

Total assets managed	$17,645 million
Tax-exempt assets managed:	
Total	$6,891 million
Invested overseas	$67 million

Wellington Management managed $67.1 million in international accounts for six tax-exempt U.S. clients as of March 31. Of that, $65.7 million was in foreign stocks and $1.4 million in foreign bonds.

The equity assets were committed most heavily to Japan, 31.4%; Hong Kong, 12.5%; the Netherlands, 10.6%; France, 8.9%; and the United Kingdom, 6.3%.

The firm searches for growth companies worldwide. Integrating all its fundamental research, foreign and domestic, it invests in the best relative values flexibly and actively. It has international specialists managing foreign investments.

The firm can provide a multi-country diversified investment approach or a portfolio designed solely to participate in the growth of a single country.

Of the $65.7 million invested abroad, $26.5 million was in commingled accounts. Minimum account size for separate management is $10 million.

Analysts are stationed in London.

Wellington Trust Co./Thorndike, Doran, Paine & Lewis is registered with the SEC.

Clients include AT&T, Coopers & Lybrand, Lukens Steel and MIT.

The client contact is Dena G. Willmore, senior vice president.

Wells Fargo Investment Advisors

475 Sansome St., San Francisco, Calif. 94163; (415) 396-3778

Total assets managed	$18,764 million
Tax-exempt assets managed:	
Total	$18,344 million
Invested overseas	$21 million

As of March 31, Wells Fargo Investment Advisors managed $21.4 million abroad in a commingled account for two U.S. tax-exempt clients.

The firm approaches international investment through the use of an index fund holding more than 500 non-U.S. stocks representing the nine most highly capitalized countries, excluding Italy, in which U.S. capital investment is deemed prudent.

It also manages $43 million for foreign pension funds.

The firm's analysts or portfolio managers are in San Francisco.

Minimum account size for separate management is $25 million.

The firm is registered with the SEC.

The clients are Winn-Dixie Stores and B.F. Goodrich.

The client contacts are Thomas A. Middleton and Michael J. Henman, vice presidents.

SIMMS CAPITAL MANAGEMENT, LTD.

Global Managers

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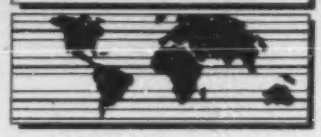
3340 Peachtree Road, N.E.
Tower Place, Suit 2190
Atlanta, Georgia 30026
(404) 266-9228 6501 149005 MCI

Boon of diversification

Foreign bonds touted

International update



LONDON — International fixed-income investments and the case for using them in an American pension fund is finally coming out of the closet, according to two money managers in London, J.P. Morgan Investment and L.F. Rothschild, Unterberg, Towbin International Asset Management.

One of the reasons the time is right for making such an investment is a short-term outlook in which governments are poised to reduce interest rates, said Adrian Lee, of J.P. Morgan.

The only thing stopping them from reducing interest rates immediately is they are waiting for some abatement of the strength of the U.S. dollar, he added. But the short-term view should not be the main reason U.S. tax-exempt investors enter the area, he pointed out.

"Our case for investment in international bonds is based on evidence of the superior rates of return available through international diversification and of the benefits that such diversification brings through risk reduction," said Olaf Rogge, managing director of L.F. Rothschild, Unterberg, Towbin International.

"The trends toward the deregulation of international capital markets and the removal of withholding taxes will lead eventually to the emergence of a more fundamental and integrated world bond market," he said.

"In such an environment, dollar-based investors have a special opportunity to take advantage both of the current high level of the dollar and of the benefits from diversification across markets each fundamentally responsive to domestic flows and international sentiment."

Of equal importance to U.S. investors is the overall reduction of portfolio volatility a portfolio of international bonds provides compared with other components of a typical U.S. pension fund, Mr. Lee said.

"Diversification in non-U.S. markets via international fixed income can cut your total fixed income risk by 20%," he said.

Because of the opportunity for return enhancement, the risk aversion they affor and the reduction in volatility they provide, public pension funds in particular could do more purchasing of international bonds than they can of international equities, Mr. Lee added.

Eager going overseas

LOUISVILLE, Ky. — D.L. Eager Associates (formerly Eager & Cummings), the money management consulting firm launched last summer by Dave Eager and Caroline Cummings, is branching out into the international arena.

The firm has brought in C. Hayes Miller, a former benefits consultant for Meidinger Asset Planning Services, later changed to William M. Mercer-Meidinger Inc., to act as consultant to both domestic and foreign investment houses.

Mr. Miller will work with foreign firms looking to create a linkup with U.S. money managers for marketing and client servicing, and he also will work with U.S. advisory firms wanting to establish an overseas presence through some sort of joint venture.

To date, Eager Associates has done consulting work with one international firm — Kemper-Murray Johnstone.

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Strong U.S. dollar . . .

Continued from page 13

global capability is a budding one among foreign investment advisers.

Roughly $13.216 billion was invested for U.S. tax-exempt clients in international accounts (those restricted from investing in U.S. securities) during the 15-month period, while roughly $2.751 billion was invested in global accounts, which are allowed to use U.S. securities.

Of the international total, the five most heavily weighted equity markets were Japan, with an average equity weighting of 38% of portfolios; the United Kingdom, with an average equity weighting of 12%; Germany, with 7%; the Netherlands, with 4%; and Hong Kong, with 4%.

Other equity markets drawing international money managers were Australia, with an average weighting of 3%; Switzerland, 2%; Italy, 1%; Canada, 1%; France, 1%; Singapore, 1%; and Belgium and the Netherlands, with less than 1% each.

For the assets invested globally, the five most heavily weighted equity markets were the United States, with an average weighting of 28%; Japan, 21%; the United Kingdom, 7%; Germany, 5%; and the Netherlands and Hong Kong, 3% each.

Other areas global investors emphasized throughout the year were Australia, with an average equity weighting of 2%; and Italy, France, Switzerland and Canada, with 1% each. Markets that were mentioned but weighted at less than a 1% average weighting were Denmark, Spain, Belgium, Israel and Sweden.

Assets in commingled accounts totaled $4.214 billion, or roughly 25% of all assets invested overseas by managers.

The total for net new business for the past 15 months ended March 31, was $2.5 billion. Roughly $1.783 billion of that was new business in foreign stocks and $454 million was in foreign bonds.

In terms of total new business, the Templeton Group, Fort Lauderdale, Fla., was the leader with $307 million in new accounts. It gained 11 clients.

Batterymarch Financial Management, Boston, was second, having gained $268 million in new accounts. The firm added 22 clients.

N.M. Rothschild International Asset Management, London, was third with a net gain of $264 million in new assets under management, adding five clients, while Capital Guardian Trust Co., Los Angeles, was fourth with $224 million, also adding five clients.

While some international money managers revealed how many new clients they added, the response was not consistent.

The 83 international money managers claimed to have added 799 U.S. tax-exempt clients to existing client rosters in the past 15 months. That is an average of about 10 clients per manager.

Batterymarch was most successful in adding new international equity business in the 15-month period.

Capital Guardian and The Vanguard Group, were second and third respectively, with Vanguard adding $200 million. However, most of Vanguard's $200 million is included in the Batterymarch figure because Batterymarch manages the $390 million Trustees Commingled Fund for Vanguard.

Morgan Grenfell Investment Services Ltd, and Mellon-Pictet International Management Ltd., both of London, were fourth and fifth in terms of new equity business. Morgan Grenfell added $152 million in equity business and Mellon-Pictet added $130 million.

N.M. Rothschild International added the most new bond business during the period. It added $200 million in overseas equity accounts for new clients.

First Chicago Investment Advisors, Chicago, was second in terms of gaining bond business in the period. It added $121 million in new bond accounts.

Travelers Hill Samuel International Ltd., Hartford, Conn., was third, adding $47.5 million, and Chase Investors Management Corp., New York, added $26 million in new bond accounts, putting it in fourth place.

Of the 83 international money managers surveyed, 64 claimed currency hedging capability.

Public funds mull . . .

Continued from page 13

and staff, with a view toward a possible portfolio," Mr. Maletta said.

However, he doesn't see the fund rushing into the area. "I'm just one member of the board," he added.

Perhaps one of the more dramatic arguments for public funds considering international investments is their size. Because they are among the nation's largest funds, valuable opportunities for diversification are restricted when they ignore international markets.

Robert Carlson, trustee for the California public employees' fund, agreed strong fund growth is an important element to the system's consideration of the international field.

"Ten years ago, the U.S. had 80% of the world's equities," Mr. Carlson said. "Today, it's only 50%, and that's 50% of the world's equities that we no longer have access to.

"Since we're growing at a rate of $3 billion a year, we really don't have much choice but to diverify internationally."

He said Wilshire Associates, as consultant to the California fund, has suggested the system move into international equities for diversification.

"While (the conference) enforced some of the things I already knew, I also found out how little I did know," said Tom Wiesner, chairman of the Nevada system and one of a seven-member board of trustees.

He explained Nevada has had a consultant studying whether the system should invest abroad, but it was a matter of what level would be best.

"I don't think we can put enough into it to get real diversification," he said. "We wouldn't be inclined to put in 5% to 10%."

But he said the fund had not put international on the back burner. "I think we should continue to look at it and to decide how we're going to get involved."

Besides state treasurers from Connecticut, California and Utah, officials from the Pennsylvania Public School Employees Retirement System, California State Teachers' Retirement System, Massachusetts Pension Reserve Investment Trust, and San Bernardino County, Calif., attended the investment seminar in Tokyo May 20-24.

Nine international investment managers spoke at the meeting. ▪

Wertheim-Philippe International

230 Park Ave., New York, N.Y. 10169; (212) 370-6140

Total assets managed	$294 million
Tax-exempt assets managed:	
Total	$26 million
Invested overseas	$26 million

Wertheim-Philippe had $26 million in global accounts for two U.S. tax-exempt clients as of March 31.

The equity assets of the accounts were committed most heavily to Japan, 30%; the United States, 21%; the United Kingdom, 9%; Germany, 9%; and the Netherlands, 7%.

The firm's investment style incorporates both a top-down and a bottom-up methodology. Equal weight is placed on country, sector and stock decisions. The firm is active in making both the country and sector decisions, and minimal use is made of cash equivalents. Portfolios are diversified with 60 to 100 securities. Approximately one-third of the holdings are in smaller-cap issues.

The firm also manages $268 million for foreign pension funds.

Portfolio managers and analysts are based in Paris, New York and Luxembourg.

The firm is registered with the SEC.

The clients are GTE Services Corp. and Oregon state.

Steven W. Golann, managing director, is the client contact.

Y

Yamaichi Capital Management Inc.

2 World Trade Center, Suite 9666, New York, N.Y. 10048; (212) 912-6484

Total assets managed	$2.184 million
Tax-exempt assets managed:	
Total	$38 million
Invested overseas	$38 million

Yamaichi Capital Management managed $38 million in international accounts for two U.S. tax-exempt clients. Of that, $26 million was in foreign stocks, $3 million in foreign bonds and $7 million in cash equivalents.

The equity assets in those accounts were committed most heavily to Japan, 91%; Australia 4%; and Hong Kong and Singapore, 2% each.

The firm also manages $84 million for foreign pension funds.

Yamaichi's investment strategy mixes top-down guidelines and bottom-up stock selections for the best risk-adjusted return, with an orientation toward capital growth. Fundamental research on international economic context and on industrial trends and corporate performance is generated internally.

It also manages $84 million for foreign pension funds.

The firm's analysts and portfolio managers are in Tokyo.

Minimum account size for separate management is $2 million.

The firm is registered with the SEC. Clients include UAL and IU International.

The client contact is Masatoshi Minami, president.

1985 survey data

The information contained in this special section of *Pensions & Investment Age* was developed from answers to detailed questionnaires sent to international investment advisory firms.

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Cash Management

Fed backs Bankers on commercial paper

By Richard J. Gillespie

NEW YORK — In an opinion that is seen as a victory for banks, the Federal Reserve Bank of New York has ratified a bank's right to place commercial paper on behalf of a corporate client for which it also has extended a credit relationship.

Banks have been pitted against Wall Street in a five-year legal battle over whether they have the right to issue commercial paper for corporations.

The Federal Reserve's opinion, although only advisory, is expected to figure significantly in a Washington, D.C., U.S. District Court case. If Judge Joyce Green concludes a practice initiated by Bankers Trust Co. is legal, other banks are expected to also enter the commercial paper market.

Alternatively, if Judge Green rules Bankers Trust's operation is tantamount to underwriting, a number of banks might have to consider whether acting as an agent to commercial-paper issuers for which they have extended credit relationships might be illegal.

The judge's decision is expected soon.

So far, bankers are heralding the Federal Reserve Bank's long-awaited opinion as some kind of victory.

Several banks are gearing up to offer commercial paper placement facilities to corporations.

While the bankers still cannot, under any circumstances, literally underwrite commercial paper issues, the Federal Reserve Bank's conclusion seems to have opened up a passage for a more concerted bank entry into the commercial paper market.

That possibility can only be good for corporate borrowers, which already have gained tremendously from the greater competition introduced into the short-term credit markets through the development of commercial paper.

According to Jack Vogel, a vice president with Fitch Investors Service in New York, corporations stand to win from a revitalized entry by banks into the market. Middle-market and regional corporate issuers should gain from both lower commissions and also from lower borrowing rates, he said.

But Mr. Vogel, who has been in the commercial paper business for three decades, added the Fed's opinion still left unresolved just how far a bank could go before it transgressed the boundaries laid out by the Glass-Steagall Act, which prohibits banks from underwriting securities.

The overall impact of the opinion on the marketplace, he said, would depend on its legal interpretation, both by Judge Green and by the legal departments of banks.

At issue is the extent to which a bank can match its paper issuance with the provision of backup credit facilities, he said.

In any event, many banks will continue to act as agent for corporate customers, placing large blocks of commercial paper with cash-rich investors, a practice most Wall Street firms consider an invasion of their turf.

While the Fed's decision is seen by some money center banks as the green light that enables them to forge ahead with plans to set up Bankers Trustlike commercial paper operations, a spokesman for the Securities Industry Association pointed out the opinion is only advisory, and the final decision has to come from Judge Green.

The spokesman added that should Judge Green conclude Bankers Trust's activities were not a violation, the SIA would appeal.

"If it looks like underwriting, tastes like underwriting and smells like underwriting, it's underwriting," he said.

But a banker, who wished to remain unidentified, hotly disputed the SIA's claim.

"It seems pretty hard for me to believe that when Congress passed Section 16 of the Glass-Steagall Act allowing banks to act as agent in the placement of securities, it allowed banks to do so only for clients with whom they did not have a credit relationship," said the banker.

Although the commercial paper underwriting business already is highly competitive, the entrance of banks in an enhanced form can only make competition fiercer, according to Mr. Vogel.

The one caveat is that while the Federal

Continued on page 47

Payden & Rygel index of short maturities assets*

(for month ending May 31, 1985)

	Quarter Ending 3/31/85	May 1985	Quarter to date	Year to date	Yield level monthly change*
	Annualized total returns				
90 Day					
U.S. Treasury Bill	8.24	9.83	9.53	8.83	−71
Domestic C.D.	8.26	10.16	9.96	9.02	−78
Euro $ C.D.	8.39	10.67	10.20	9.20	−90
180 Day					
U.S. Treasury Bill	8.26	13.42	12.47	10.06	−87
Domestic C.D.	7.82	13.36	12.50	9.79	−94
Euro $ C.D.	8.22	14.15	12.81	10.16	−105
1 Year					
U.S. Treasury Note	8.35	19.67	17.21	12.04	−101
2 Year					
U.S. Treasury Note	7.30	30.61	26.04	14.99	−99

*Figures are annualized total returns. Quarter-to-date and Year-to-date figures linked monthly. 90 and 180 Day Treasury Bill yield level changes on discount basis.

*Basis points.

Source: Payden & Rygel, Los Angeles, California 90017

The Payden & Rygel index of short-maturity assets appears in every issue of *Pensions & Investment Age*. Intended to be a short-term investment benchmark, it charts total returns on a variety of short-term instruments, and shows the discrepancy between simple yields and total returns.

Notes

Round-table results

WASHINGTON — The first round-table conference held between members of the National Corporate Cash Management Association and representatives from the banking community centered on the future of cash management.

Representatives from the NCCMA, the Federal Reserve Board, the American Bankers Association, the Association of Reserve City Bankers and the Bank Administration Institute met last month to discuss short- and long-term goals for the "contemporary payments systems."

Apart from the scheduling of another meeting in the fall, the most important thing to come out of the discussion was an agreement by the Federal Reserve to appoint a subcommittee to work with the NCCMA's government relations committee on automated clearinghouse options, check truncation

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Extra copies save the day

Poll gets a boost

NEW YORK — The 1985 corporate bank survey recently received a little boost that might have come from a higher authority.

The questionnaires for the 1985 survey, in which corporate cash managers and treasury officers get to rate their major cash management banks, are being distributed through various regional associations in an arrangement with *Pensions & Investment Age*.

But when a box of questionnaires sent to the Cash Management Association of South Carolina failed to arrive, Avery Frick, president, went to his organization's meeting under the impression he would not be introducing the subject of the 1985 survey or handing out any questionnaires.

But that was where he was wrong.

The meeting was a joint one held with the North Carolina association, and Joe Ellisor, president there, had received an additional box of questionnaires.

Mr. Ellisor had brought both boxes to the joint meeting in case any members found themselves short, and he was able to pass them out to members of the South Carolina delegation.

A case of divine intervention, perhaps.

According to Mr. Frick, the questionnaires were given an additional boost by one attendee who announced it was great to get an opportunity to rate banks for a published survey.

For cash managers who received copies of the questionnaire but have not yet returned them, the deadline has been extended to the end of the July. ■

Automation left 'nothing to do'

By Fred Williams

EVANSTON, Ill. — Rod Yoshida, formerly director of domestic treasury operations at American Hospital Supply Corp., believes there is no future in cash management for cash managers who automate the treasury.

Mr. Yoshida speaks from experience. He recently "automated" himself out of the cash management slot at his company, moving into a controllership function.

"I had automated so much that there was nothing left for me to do," said Mr. Yoshida.

"I had always felt my role was to get rid of the high-paid person and replace him with the low-paid person, yet if I did that, I found I didn't have a job anymore," he said. But he added there still are some things left to be done in the cash management area.

In short, Mr. Yoshida, who shortly will become assistant controller for the hospital group, recently introduced an automated treasury management system that renders the cash management operation of the $3.4 billion company into a one-person, clerical operation.

But Mr. Yoshida is happy to be moving on because he believes similar automated systems are going to relegate cash management to the list of professions now rusting away in the junkyards of history.

The system he helped introduce, which runs on an IBM PC, is so advanced it leaves little room for improvement in the foreseeable future, he said.

Mr. Yoshida recalled that in 1977, the cash management group spent a great deal of time monitoring 300 separate accounts connected with American Hospital Supply's various divisions around the country.

At that time, he said, the company's banks had to cut a depository transfer check on each account for depositing into the company's concentration bank.

At the same time, the cash managers had to constantly ensure the company's disbursement accounts were kept topped up, and do all the other calculations necessary to keep the company's payments system flowing smoothly.

Like all great inventions, Mr. Yoshida said the treasury management system began with a problem, a problem brought about by modernization.

In 1977, AHS consolidated its 300 accounts into eight geographically disbursed banks; in 1980, the firm zero-balanced the subaccounts.

"That was all nice and fine for cash management," said Mr. Yoshida. "Now all we had to do was look at the balance in each of eight accounts through the balance reporting and decide whether to draw down or send the money to cover them.

"The problem was none of the banks had a good way to account for the inflows and outflows of those zero-balance entries."

The only way the information could be derived was through a tedious spreadsheet analysis, whose aim was to produce accurate end-of-the month reports.

So Mr. Yoshida asked First National Bank of Chicago, AHS' main concentration bank, to come up with some computer programs based on the bank's mainframe and its timesharing arrangements through which the company's other banks could feed account data directly to First Chicago on a timeshare basis.

"That was not only good for accounting, you also knew how much the divisions were using," he said. "And since it was by division and across eight banks, you could really get a lot of neat information out of it for cash management."

The system worked, he said, except the group spent a lot of time keeping up with transmis-

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Use of pension assets for manager fees increasing

By Rick Rosenfeld

More companies are paying money manager fees from their pension funds — instead of from the corporation's own pocketbook — in the continuing drive to reduce pension expenses.

Although paying from the pension fund purse is not new, the tide slowly has shifted that way in recent years, said William A. Dreher, formerly with Peat, Marwick, Mitchell & Co. and now president of William A. Dreher Inc.

"There is a general thrust toward saying 'How do we reduce the cost of administering the plan?' One way is by paying from the trust," Mr. Dreher said. "In an era where conserving cash is of fresh importance, trying to reduce corporate dollars spent on the pension trust is only natural."

Puritan Bennett Corp., Overland Park, Kan., has paid its investment managers from the pension trust for many years. Treasurer Steven M. Evans said it is done mostly from habit, but the advantages are obvious.

"It's simple. It keeps it off of the firm's bottom line," Mr. Evans said. "That would be the only reason we would do it that way over the other."

He said paying from the trust saved the firm more than $40,000 in 1984.

By paying managers with pension fund assets today, a company might have to increase contributions in the future to make up the difference. For that reason, officials at most companies using pension money to pay managers cite reasons other than bolstering corporate cash flow.

Janice K. Murphy, director of pensions for Pacific Gas & Electric Co., San Francisco, said it is more appropriate to pay managers through the trust.

"I think it's all part of the way you view the pension fund," she said. "Our philosophy is that fees incurred in servicing the fund should be paid from the fund."

Thomas C. Smith, director of

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Pensions & Investment Age

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The newspaper of corporate and institutional investing • $3.50 an issue • $67 a year • July 8, 1985

Unocal plans winners in takeover war

By Marci Baker

LOS ANGELES — The profit-sharing and employee stock ownership plans of Unocal Corp. reaped almost $220 million last week through the public sale of Unocal debt securities originally issued to end the oil company's takeover battle with T. Boone Pickens.

The offering, made by the plans' trustee, Security Pacific National Bank, and underwritten by First Boston Corp. and Shearson Lehman Brothers Inc., was done to comply with law, a company official said.

Proceeds from the sale, which was settled July 2, will be reinvested in Unocal common stock, he added.

In an attempt to fend off Mr. Pickens' takeover attempt, Unocal earlier this year announced it would issue a $4.3 billion package of debt securities in exchange for 59.3 million Unocal shares held by investors other than Mr. Pickens and his investor group, Mesa Partners II.

Following a Delaware Supreme Court decision that found the selective tender legal, Unocal reached an agreement ending the bitter takeover battle.

As part of the terms of the agreement, $554.4 million of the debt offering was used to acquire 7.7 million of Mesa Partners' 23.7 million Unocal shares.

Other investors, including the Unocal plans, each exchanged about 39% of their shares for the remaining securities, valued at a lucrative $72 a share.

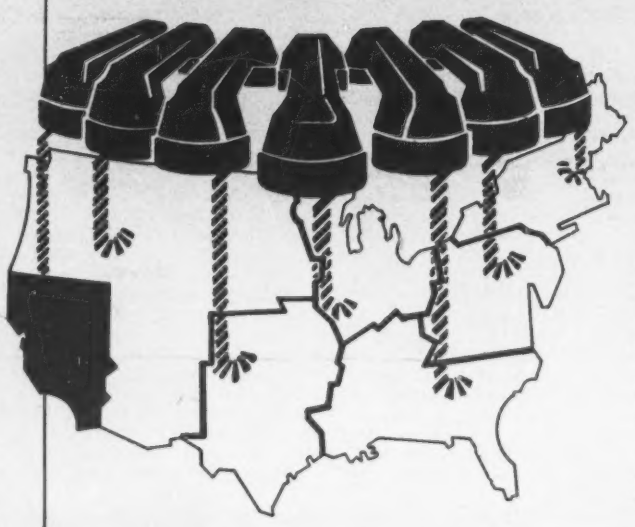
All told, three Unocal employee benefit plans — its profit-sharing plan and two ESOPs — tendered about 4.1 million shares out of the about 10.7 million shares they held.

In exchange, the profit-sharing plan, with total assets of $356 million at the end of last year, received $229 million in debt securities, while the ESOPs received $63.7

Continued on page 36

Other changes expected

Two Bell companies shift assets



By Fred Williams and Steve Hemmerick

Southwestern Bell Corp., St. Louis, hired five equity managers to handle $300 million and Pacific Telesis Group, San Francisco, reportedly picked three real estate managers for up to $200 million in what is viewed as the beginning of a series of significant moves by the pension funds of the seven Bell operating companies.

Southwestern Bell's hirings, and perhaps PacTel's as well, occurred in conjunction with the final transfer of pension assets to the baby Bells from American Telephone & Telegraph Co. (*see related story page 6*).

The transfer, completed July 1, is expected to lead all seven operating companies to parcel out the new money in the coming months.

In addition, some managers the seven inherited from AT&T likely will be dropped, their assets reallocated to new and existing managers.

Southwestern Bell hired Nicholas-Applegate Capital Management, San Diego; Pilgrim, Baxter, Hoyt & Grieg, Philadelphia; Franklin Portfolio Associates, Boston; GeoCapital Investment Management, New York; and Jennison Associates Capital Corp., New York, said Mary Ann Devine, district manager for pension and savings plans.

Ms. Devine would not say how much each was given. Southwestern Bell has approximately $4 billion in pension assets.

Another official at Southwestern Bell said the money was taken from other equity managers, some active and some passive.

Some of the money came from Batterymarch Financial Management, Boston, a firm he said no longer wanted to handle passive index-fund money. He would not disclose the names of the other AT&T-inherited managers that had been terminated.

The five were selected following a

Continued on page 36

Late news

Iowa hires 7, drops 1

DES MOINES, Iowa—The $2.5 billion Iowa Public Employees' Retirement System completely revamped its asset allocation and manager lineup, hiring seven, dropping one and leaving only one existing manager's allocation intact.

Equity managers hired were contrarian Batterymarch Financial Management, Boston, for $175 million; large-capitalization core manager Provident Capital Management, Philadelphia, for $100 million to $125 million; and diversified large-capitalization manager Wellington Management Co., Boston, also for $100 million to $125 million.

Continued on page 2

Eastern repays funding waiver 18 months early, renews dividend

By Alan Krauss

MIAMI — Eastern Air Lines has repaid 18 months early a $37.4 million waiver on its pension contribution so the company can reinstate dividend payments on three classes of preferred stock.

The waiver was to have been repaid in three installments of $12.4 million each in September of 1984, 1985 and 1986. It was granted by the Internal Revenue Service when Eastern could not make its 1982 pension contribution by Sept. 15, 1983.

After making the first scheduled payment last September, Eastern repaid the balance of the waiver in early April or late March, a source said.

The $24.8 million repayment means the company is up to date on contributions to its $1 billion pension fund.

A spokeswoman for Eastern said the company accelerated the repayment because of "drastically" improved profitability. During the first five months of 1985, Eastern's net profit rose to $41.4 million, compared with a loss of $46.7 million during the same period in 1984. Additionally, during the 1985 period, the company contributed $59.8 million to its employee profit-sharing plan.

"Eastern's financial fortunes improved drastically, so it was decided it was prudent to pay the waiver back early," the spokeswoman said. She refused to elaborate on the company's reasoning.

"Obviously, the faster you can pay it back, the better," said Robert Wallace, Eastern's director of pension asset management.

But an Eastern board member said the early repayment came about at least partly because of an agreement made during the summer of 1984 between Eastern and the International Association of Machinists, which represents about 12,000 Eastern employees.

Charles Bryan, a member of Eastern's board of directors and president and general chairman of IAM District 100, said Eastern's management agreed the pension waiver would be fully refunded if the company became able to resume dividend payments on its senior preferred stock.

"They met with us and essentially asked for our blessing" for plans to repay the waiver, Mr. Bryan said. "It crossed my mind that they would want to repay the preferred dividends as soon as possible ... I never thought they would go five quarters without reinstating those dividends."

Eastern's repayment of the waiver follows a proposal last summer to substitute a non-marketable, subordinated debt security for the part of the $25 million contribution that would have gone into the pilots' half of the company's fixed

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Funds allocate in two areas, unsure in third

International

By Rose Darby

At least 10 Pension funds hired international managers during the first half of 1985 and at least four others have searches under way.

The pension funds of Lincoln National Life Insurance Co., Fort Wayne, Ind.; TransAmerica Corp., San Francisco; Rockwell International, Pittsburgh; The World Bank, Washington; General Electric Co., Stamford, Conn.; and Mars Inc., McLean, Va., hired or are about to hire international money managers, sources in the international investment community confirmed.

American Information Technologies Corp., Chicago, is said to be narrowing its choices before selecting its first international managers Aug. 1. Ameritech reportedly will hire additional international managers Sept. 1 and Dec. 1.

In addition, Bell Atlantic Corp., Philadelphia; Pepsico Inc., Purchase, N.Y.; and North American Philips Corp., New York, are said to be in the process of seeking overseas investment advisers.

Although the bulk of the activity so far this year seemed to occur in the second quarter, several pension funds hired international managers earlier this year. They include: National Rural Electric Cooperative Association, Washington; Allied Corp., Morristown, N.J.; ENSERCH Corp., Dallas; and Hershey Foods Corp., Hershey, Pa.

The increased activity by pension funds coincides with an increase of about 30% during the past year of U.S. tax-exempt assets invested abroad, according to preliminary data from InterSec Research Corp., Stamford, Conn.

"Maybe half of that amount is from market movement and the other half is from increased cash flow to prior relationships," said Chris Nowakowski, president.

"But there have been a number of sizable new commitments made, and surprisingly, particularly on the international bond side."

International investment advisers are competing to manage roughly $1 billion in net new assets so far this year, Mr. Nowakowski said.

"It's tough to call how the rest of the year will be," he added.

"We've gone from nothing to everything, all of a sudden," said one international money manager. "There are now a number of competitions going on. It's the turn in the dollar, and it's also a lot nicer time to go to London to see about managers, than was February or March."

At Lincoln National, the selection of Walter Scott International Ltd. of Edinburgh, Scotland, to manage $15 million in a commingled fund for the $150 million pension fund was made to serve two needs, said Jon Boscia, executive vice president.

"Last August, our pension fund trustees determined that 10% of assets should be in international," Mr. Boscia said.

The initial investment of the insurer's own pension fund assets will serve as "seed money" for establishing an international commingled account Lincoln National hopes to market to its money management division's tax-exempt clients, he said.

Lincoln National has about $2.5 billion in tax-exempt assets under management for clients, he said.

TransAmerica Corp. hired SBC Portfolio Management International Inc., in New York, to manage an undisclosed portion of

Continued on page 36

Indexing

By Rick Rosenfeld

The index fund boom of last year has mushroomed during the first six months of 1985, adding a new core of assets for some pension funds and capturing increased profits for passive managers.

Managers offering index strategies — designed to mirror the performance of a market index, usually the Standard & Poor's 500 — have seen the number of new accounts and the sizes of old ones soar since Jan. 1, as more pension fund executives reevaluate the effectiveness of more active strategies.

Part of the reason for the boom is the failure of many active managers to beat the market in 1984. Only one in four active managers topped last year's 6.3% increase in the S&P 500, according to SEI Corp.'s fund evaluation services division.

Wayne Wagner, chief investment officer for Wilshire Associates, Santa Monica, Calif., said 1984 could not have been much worse for active managers.

"I think it was definitely a knee-jerk reaction to bad performance," he said. "It makes sense from a fund's point of view to index."

Federal Express Corp., Memphis, Tenn., is one company that has turned to indexing so far this year. It opened an $8 million index fund with Chicago-based Northern Trust Co.

Jeffrey O. Drinan, Federal Express' senior manager of trust investments, said last year's low returns by active managers were key to the company's decision to add an index portfolio.

"A lot of it did have to do with the recent underperformance of investment managers," Mr. Drinan said. "It allowed us to take a look at our investment strategy and make a move toward a passive type of management."

Since opening the account with Northern, Federal Express has added $5 million to its index fund.

But the trend has roots beyond the performance of active managers.

John Hitchman, executive director and chief investment officer of the Washington State Investment Board, said the cost savings from passive management are significant, especially for a large fund. Washington has about a quarter of its $6 billion invested in index accounts.

"An index fund is a low-cost way to participate in publicly traded securities markets," Mr. Hitchman said.

When fees, transaction costs and turnover levels all are taken into consideration, passive management costs only about one-tenth of what active management does, Wilshire's Mr. Wagner said.

George Lehr, executive director of the Teamsters, Central States, Southeast & Southwest Areas Pension Fund, translated that into real dollars.

"Our index funds have lowered commissions by $2.5 million in the first five months of the year," Mr. Lehr said. The Central States fund has indexed $1.7 billion since December.

Indexing assets rarely is to be an all-or-nothing proposition; no major pension fund has all of its assets in index funds.

Thomas Fox, deputy executive director of investments for the Florida State Board of Administration, said active and passive management do not have to be competing strategies.

"I think an index approach and an active approach complement each other," he said. "A lot of people wrongly think you can only have one or the other."

Florida has $614 million of its $8 billion in assets indexed.

Index funds play a part in the investment strategies of Jean LaVecchia, Carl Liebscher and George Lehr, from left.

Most funds with index portfolios use them as a core for their investment strategy. Jean M. LaVecchia, assistant treasurer and assistant secretary for Southern New England Telephone Co., New Haven, Conn., said using index funds as a core adds

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Real estate

By Steve Hemmerick and Alan Krauss

Pension fund executives seem sharply divided over whether to pump new money into real estate for diversification, lower fund volatility and inflation protection or to wait and see what happens to federal tax reform and inflation.

Officials of several funds said they increased their real estate allocations during the first half of 1985, while others said such allocations remain unchanged.

Pension fund executives at Burlington Northern Inc., Federal Express Corp., Duke Power Co., Minnesota State Board of Investment, Illinois Municipal Retirement Fund, Memphis City Retirement System, Minnesota State Board of Investment and Nevada Public Employees' Retirement System all said they added or increased real estate investments in the first half of 1985 to have a positive effect on their funds.

The Memphis City Retirement System plans to do so soon.

But officials of Minnesota Mining and Manufacturing Co., International Telephone and Telegraph Corp., Aluminum Co. of America, Exxon Corp., Inland Steel Co. and the Illinois State Board of Investment say they are keeping about the same exposures.

At Burlington Northern, Everett DuBois,assistant vice president for corporate finance, said his pension fund gave $15 million more to Equitable Real Estate Investment, New York, an existing manager, and an initial allocation of $10 million to Aetna Life Insurance Co., Hartford, earlier this year for real estate. That increased the real estate allocation for Burlington Northern's $600 million retirement fund to 5%, the current target for real estate, from 4%.

Although inflation is stable, he said, "You don't know what is going to happen. You think you might have continuing low inflation, but that might not be the case."

Inflation also played a role in the decision by the $6.5 billion Minnesota State Board of Investment earlier this year to boost its allocation by investing in pooled funds managed by TCW Realty Advisors, Los Angeles, and Aldrich, Eastman & Waltch, Boston.

TCW received $40 million; Aldrich, Eastman & Waltch, $20 million.

"Our real estate asset allocation has been formulated for about two years now, and we've been working toward fulfilling it," said Howard Bicker, executive director. "We believe real estate will provide a good inflation hedge, and we may commit more money to it over the balance of the year. It depends on what kinds of deals come along."

The goal is to invest about $300 million in real estate, Mr. Bicker said. About $275 million has been committed so far.

ITT, on the other hand, has no such plans this year. "I don't expect to recommend increasing our real estate exposure because there are alternative investment opportunities . . . I think stocks and bonds are both better markets right now," said Edwin J. Erlich, director-pension fund trusts.

Joseph C. Pelegrino, assistant treasurer of Alcoa, agreed with Mr. Erlich's assessment of the stock and bond markets. He added, "We have enough real estate at the present."

Mr. Pelegrino said his $1.8 billion in employee benefit funds have about 6% of assets in real estate, an amount he expects to remain the same at least through 1985.

Mr. Erlich said the $1 billion in ITT's domestic pension fund has about 8% of its assets

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Good returns a Catch-22?

By Chuck Paustian

Investment managers lament they might be their own worst enemies when they lose a client because an overfunded pension plan is terminated.

Consistent, above-average performance might have helped a money manager rest easy in the past, but that same performance today often contributes to the overfunding that causes a plan to be terminated and the manager to be dropped.

"The seed of your own destruction is planted in your success," said Stephen Barney, vice president-investments at Investors Research Corp., Rolling Meadows, Ill., which has $2.5 billion in tax-exempt assets under management.

"We're sorry it works out that way, but we understand why (the companies) are doing it," he said.

"The better job you do, the sooner they want to take it away from you," said Richard C. Taylor, formerly with Robert C. Brown & Co., San Francisco.

"It's frustrating. It's one thing to be terminated for poor performance, but to be fired for doing a good job? You just try to be professional about it," an executive at a large investment management firm said.

With corporations recapturing more than $4.5 billion in excess assets since 1980 by terminating pension plans with $9.6 billion in assets, some managers have learned to accept the resulting loss of the account as one of the costs of doing business.

"If I have to be fired, I'd rather be fired because the client terminated the plan than for poor performance, because it wouldn't affect my ability to market to new clients," said Elliott M. Gartner, director of Morgan Grenfell Inc., New York.

Morgan Grenfell, with $1.1 billion in tax-exempt assets under management, was a manager of both Celanese Corp. and United Air Lines Inc. when those corporations terminated plans.

"No business is without its risks. If you supply a product to an industry, and the demand for the product declines, you can have the best buggy whip in the world, but it won't be any good," said Nathan Hayward III, senior vice president-financial services at Wilmington Trust Co., Wilmington, Del., with $12 billion in tax-exempt assets under management.

"We've always risked losing clients, even if you have good performance. Many of the clients you lose are not for performance reasons. Now, you have this reversion which, of course, has the potential to be much larger than the non-investment reasons," said Wynn Jessup, vice president and director of client services at Delaware Investment Advisers, Philadelphia.

He said Delaware, which manages $6.4 billion in tax-exempt assets, has lost four clients, representing less than $150 million, to plan terminations.

"We've been rather fortunate in that the clients that have terminated have been rather small, except for one," said Mr. Jessup. He did not say who the one client was.

"We have pride in our performance, but on the other hand, what can you do about it? It's part of the facts of life," said one money manager who asked that his name not be used. "It's one of the risks of our

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Completed terminations

Sponsor	Reversion ($ mil.)	Date of termination
Occidental Chemical Corp.	466.05	6/83
Celanese Corp. and Controlled	325.80	1/84
Great Atlantic & Pacific Tea Co.	320.00	5/84
Firestone Tire & Rubber Co.	294.65	9/84
Reynolds Metals Co.	126.00	8/83
AMAX Inc.	124.00	8/83
J.P. Stevens & Co.	115.49	7/84
EES Insurance of Wausau	112.34	12/84
Armour and Co. and Armour Food	108.10	12/83
Stroh Brewery Co.	97.97	10/83
St. Regis Corp.	88.63	12/84
Cone Mills Corp.	67.49	6/84
Diamond International Corp.	65.84	4/83
The Home Insurance Co.	65.00	12/84
AM International Inc.	63.23	5/83
M.W. Kellogg Co.	58.00	6/81
GAF Corp.	56.00	12/82
Humana Corp.	52.14	12/82
Riverside Publishing Co.	48.79	12/83
Beneficial Corp.	45.14	10/83
The Valley National Bank	44.00	3/84
Wilson Foods Corp.	42.46	2/84
Lone Star Industries Inc.	41.97	5/84
Interstate Brands Corp.	39.53	12/83
Harnischfeger Corp.	38.00	8/84
Cities Offshore Productions Co.	37.16	10/83
Inco Electroenergy Corp.	34.38	9/83
Harshaw/Filtrol Partnership	33.93	1/84
Raymond International Inc.	31.84	12/83
Western Air Lines Inc.	28.84	4/82
A.A. Carbide Sales Inc.	25.53	5/84
Whiting Corp.	24.21	12/83
NI Industries Inc.	21.84	12/83
Timex Corp.	21.43	6/82
Continental Air Lines Inc.	19.62	10/82
Dan River Inc.	19.58	6/83
U.S. News & World Report Inc.	18.75	10/84
John Crane-Houdaille Inc.	18.50	12/82
Federal Paper Board Co.	18.33	2/84
Smith's Transfer Corp.	18.13	12/84
Merchants Fast Motor Lines Inc.	16.88	12/84
Frank B. Hall Co.	16.68	9/84
First National Supermarkets	15.82	12/83
Brown Boveri Electric Co.	15.31	6/83
Gulf & Western Industries Inc.	15.60	4/83
Lynchberg Foundry Co.	15.50	10/83
Graniteville Co.	15.37	5/83
Landmark Inc.	15.27	7/84
The Long Island College	15.23	12/83
Butler Manufacturing Co.	14.93	4/83
IU Transportation Services	14.36	7/83
Norlin Industries Inc.	14.21	1/84
Questor Corp.	14.16	1/83
Lane Bryant Inc.	14.05	12/82
Mattel Inc.	13.99	9/83
Ellison Co.	13.80	3/82
Grand Union Co.	13.34	3/84
Smith Barney, Harris Upham	13.33	8/84
Fairfield Manufacturing	13.25	10/84
Clark Oil & Refining Corp.	12.87	12/82
First Oklahoma Bancorporation	12.39	7/84
McLean Trucking Co.	12.00	11/84
Bank of Commonwealth	11.99	12/81
Missouri Delta Community	11.65	10/84
Cooper Industries	11.50	7/83
Gilmore Steel Corp.	11.48	1/84
Dentsply International	11.32	6/82
Dril Tron Inc.	11.30	2/84
Tecumseh Products Co.	11.12	7/84
A.G. Becker Inc.	11.13	6/82
Lyon Metal Products	11.03	8/84
Mead Corp.	10.33	8/83
Haehn Management Co.	10.24	5/83
Harper & Rowe Publishers Inc.	10.19	8/81
T.I.M.E.-DC Inc.	10.16	4/84
Liberty National Corp.	10.08	8/84

Source: Company estimates supplied by the Pension Benefit Guaranty Corp. and other company data as of April 30.
It should be noted some companies have terminated more than one plan and wherever possible P&I Age has printed a combined total. In those instances, the date of the first termination was used.

Manager's worst enemy . . .

Continued from page 3

business. I'd still rather be terminated for getting 20% returns a year than for poor performance.

"It's no fun, but it's not going to kill you. You still hate to lose a client."

Some money managers view terminations from an economic perspective.

"It's developed over the past several years, with companies trying to manage their business more efficiently in terms of cash flow. (The cycle) is a reflection of this efficiency, they are controlling costs, both today and in the future," said William K. McGee Jr., senior vice president at Fayez Sarofim & Co., Houston.

The economic conditions include unanticipated high returns from the security markets combined with conservative actuarial assumptions, high interest rates and what some view as a permissive attitude by the federal government.

Responses from 1,076 companies showed an average interest rate assumption of 7.7% in 1985, according to a Greenwich Associates study. The overfunding resulted from pension investments outperforming the assumptions.

Data published by Ibbotson Associates Capital Market Research Center, Chicago, showed the average annual returns for common stocks for the 10-year period ended Dec. 31 was 14.8%. The Shearson Lehman Government/Corporate bond index had an annualized total return of 9.56% for the same period.

"In the last 10 years, equities and bonds have performed better than people thought they would. A lot of the companies had conservative assumptions. Now, some alert treasurers are taking advantage of this money," said one manager.

High interest rates allowed plan sponsors, wishing to terminate their pension plans, to purchase annuities for the accrued benefits of the plan for a lower cost.

"If interest rates go back up, this has become enough of an accepted trend that more companies would (terminate)," said one manager.

The effects of plan terminations could be particularly devastating to smaller money management firms with a small number of clients.

"You try to build enough clients with enough diversity in the client base," to offset the effects of terminations, said Mr. McGee of Sarofim, which has $8.7 billion in tax-exempt assets under management.

Mr. McGee said it is difficult to determine how many clients were lost because of plan terminations; some were partial terminations in which his firm was retained.

"It's just good business management to try and seek some diversity in your clients . . . It's just another continuing consideration in a continually shifting and changing market," he said.

None of the managers interviewed said he consciously altered his marketing approach to reduce the risk of plan terminations.

Some noted more managers are going after the union and public pension fund markets, an obvious — but not publicly acknowledged — way to find clients that wouldn't drop them by terminating their pension plans.

In addition, they are providing additional services the corporate client might find beneficial, such as passive investment strategies and packaged products, as opposed to individual portfolio management, said Mr. Taylor, the former Robert C. Brown marketer.

"In some cases, there are ways to aggressively pursue other alternatives," he said.

Still, Mr. Taylor does not predict obsolescence for the active manager.

"Good investment managers will always outperform these passive strategies," he said. "They always have and they always will. Once this cycle passes, there will be a whole new market for active managers."

Morgan Grenfell's Mr. Gartner said not all firms will be able to offer such strategies.

"It has to be a business decision," he said.

The managers said they are trying to maintain good performance records and remain useful to the corporate client while they are waiting for the cycle to pass.

"Some companies prefund a new plan. If they prefund the plan for a three- to five-year period, then there is an asset base there sufficient enough to be managed . . . If we did a good job, we'd expect to manage assets for them in the future," said Delaware's Mr. Jessup.

"We are in a painful time, but it's not the first painful time. There may be opportunity in that pain," said Mr. Gartner.

"If you are a good manager with a good product, you'll continue to have the opportunity to compete and to grow," said Mr. Hayward at Wilmington Trust.

"We like to look at the pension industry as an industry full of opportunity," he said. ■

Pending terminations

Sponsor	Reversions ($ mil.)	Date of termination
Getty Oil Co. (Texaco Inc.)	250.00	12/84
The Fireman's Fund*	219.00	3/85
Timken Co.	120.00	11/84
INCO Ltd.	116.00	1/85
Chubb Corp.	87.50	1/85
AMF Inc.	83.10	12/84
Frontier Airlines Inc.	51.00	12/84
Commercial Union Ins.	50.00	3/85
Harcourt Brace Jovanovich Inc.	46.20	12/84
Davy Inc.	40.00	1/85
Ticor	40.00	3/85
Great Lakes Carbon Corp.	39.10	12/84
Genstar Co.	35.00	2/85
Bank of Hawaii	31.00	4/85
Valero Energy	15.50	3/85
Superior Oil Co. (Mobil Corp.)	29.00	12/84
Bulova Watch Co. Inc.	28.00	12/84
Citizens Utilities Co.	28.00	1/85
American Mutual Ins.	20.00	3/85
American Stores Co.	20.00	12/84
Peavy Co.	20.00	12/83
GAF Corp.	18.00	9/84
Northwestern Financial Corp.	17.50	12/84
Sybron	16.10	7/84
Amerace Corp.	16.00	12/84
Jonathan Logan Inc.	15.00	12/84
McLean Trucking Co.	14.00	10/84
Diamond International Corp.	12.00	5/85
Purex Industries Inc.	12.00	3/85
Alladin Industries	10.50	11/84
Itel Corp.	10.30	7/84
Russell, Burdsall & Ward Corp.	10.10	12/84
Petro-Tex Chemical	10.00	11/84
Wean United Inc.	10.00	12/84

* Fireman's Fund Insurance Cos. include Boston Co. and American Express Co.

Source: Company estimates supplied by the Pension Benefit Guaranty Corp. and other company data as of April 30.
It should be noted some companies have terminated more than one plan and wherever possible P&I Age has printed a combined total. In those instances, the date of the first termination was used.

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